State of IDAHO

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Idaho Festivals

This year's Comprehensive Annual Financial Report features several festivals held throughout the State of Idaho. Many people take part in Idaho festivals each year as volunteers, participants, or visitors. Some celebrations are rich in early state history and date back several generations. Many are historically tied to agriculture, ranching, mining, or timber industries. They all have one thing in common: celebrating the great State of Idaho and its history, heritage, and people. For more information on Idaho festivals please visit: http://www.visitidaho.org/thingstodo/fairsfestivals.aspx.

The Idaho Falls Melaleuca Freedom Celebration honors American servicemen, women, and veterans. Melaleuca, Inc. has hosted a July Fourth celebration along the banks of the Snake River in downtown Idaho Falls since 1991. More than 100,000 people gather to watch the largest fireworks display west of the Mississippi.
Data Source: http://www.freedomcelebration.com

Yellow Pine's Harmonica Contest and Festival has been held the first weekend in August since 1989. Hundreds of harmonica players convene in Yellow Pine for the annual harmonica contest. This town of only 40 residents draws thousands of spectators to listen to live music on the stage throughout the weekend. The Festival also features street dances, jamming sessions, and a "Crowd Pleaser" contest, in which the audience chooses the winner of the evening.
Data Source: http://www.harmonicacontest.com

Council's Porcupine Race is one of Idaho's most unusual celebrations. In the World Championship Porcupine Race, porcupines race down the course guided with a soft broom. Prior to the race, the prickly animals are auctioned off and part of the proceeds are donated to local charities. After the race, the porcupines are returned unharmed to the location where they were captured.
Data Source: http://www.councilidaho.com

Idaho Annual Spud Day is held the third Saturday in September as the town of Shelley celebrates the upcoming harvest of the Idaho potato. A tradition since 1927, the Idaho Annual Spud Day includes a parade, a "Spud-Tug," a demolition derby, a dutch oven cook-off, several concerts, and a world championship potato picking contest. Five-thousand Russet Burbank baked potatoes with all the trimmings are handed out to visitors during the festivities.
Data Source: http://www.ci.shelley.id.us

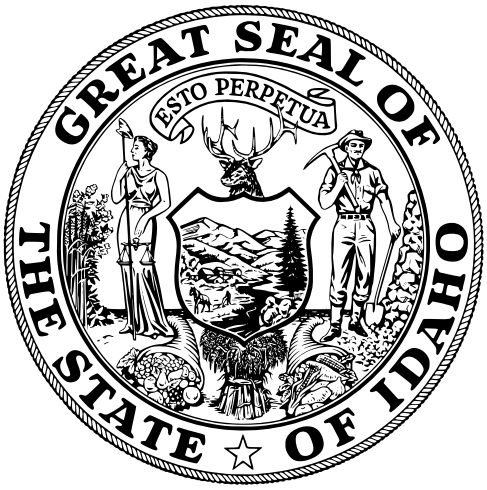
Ketchum Wagon Days celebrated its 50th anniversary in 2008. This festival, held over Labor Day weekend, commemorates the mining heritage of the Wood River Valley with four days of Old West entertainment including flapjack breakfasts, a shootout recreating the legend of a notorious outlaw, and the longest non-motorized parade in the Northwest - The Big Hitch Parade.
Data Source: http://www.wagondays.com

Front cover photo courtesy of: Ryan McGinty Photography - http://www.ryanmcginty.com Location: Sandpoint

State of

IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2008

C.L. "Butch" Otter
Governor

Donna M. Jones
State Controller

Prepared by the Office of the State Controller

This document and related information is available at www.sco.idaho.gov

State of Idaho

Office of the State Controller

Donna M. Jones
State Controller

ACKNOWLEDGMENTS:

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Thanks and appreciation to the Bureaus of Accounting Operations, Systems Administration, and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies make this report possible.

State of Idaho
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2008

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Introductory Section

Photo Source: Gem County Chamber of Commerce

Emmett Cherry Festival

One of the oldest continuously-running festivals in Idaho, the Emmett Cherry Festival will observe its 75th anniversary in 2009. Emmett celebrates its relationship to the cherry-growing agricultural industry the second full week in June with four days of jam-packed activities for the whole family.

Although the calendar of events may vary annually, many favorite events return year after year. The Festival kicks off with an official opening ceremony involving area dignitaries. Emmett City Park is the hub of activity with a kids' zone, carnival, midway games, food vendors, and free live entertainment at the Bandshell. The Valley of Plenty Quilters show off their skill in the quilt show. The car show features classic cars, hot rods, and unusual vehicles parked along Main street for public viewing. Festival-goers enjoy a double dose of parades: local children ride their bikes, trikes, horses, and small floats in the Kids' Parade; and businesses and organizations sponsor the larger Cherry Festival Parade with festive-costumed participants, a variety of music, and enchantingly-decorative themed floats. Of course, the much anticipated contests of Cherry Pie Eating, Great Cherry Bake-off, and Cherry Pit Spit are always on the agenda.

Over 40,000 visitors a year enjoy the many event venues throughout town for the Cherry Festival, a showcase of the history and culture of Emmett. Guests are sure to leave with their senses filled with cherries and memories of Emmett's quaint hometown charm.

Data Sources:
http://www.emmettidaho.com
Gem County Chamber of Commerce

STATE OF IDAHO

OFFICE OF THE STATE CONTROLLER

Donna M. Jones

December 23, 2008

To: The Honorable C.L. "Butch" Otter, Governor
Members of the Legislature
Citizens of the State of Idaho

As the State's Chief Fiscal Officer, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008, in accordance with *Idaho Code*, Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board.

The Office of the State Controller assumes responsibility for both the reliability and completeness of the information presented in this report. I am confident the data presented is accurate in all material respects and fairly sets forth the financial position and results of state operations, based upon the internal control structure established by management. The cost of internal controls should not outweigh their benefits; therefore, management designed the framework of internal controls to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

In accordance with *Idaho Code*, Section 67-429, the Legislative Audit staff of the State Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2008. Based upon that audit, the independent auditor has issued an unqualified opinion that the State of Idaho's basic financial statements are fairly presented in conformity with GAAP. The Independent Auditor's Letter is located at the front of the financial section of this report.

In addition, the Legislative Audit staff conducts statewide audits under the Federal *Single Audit Act of 1984* and the related Office of Management and Budget *Circular No. A-133* in order to meet the special needs of federal grantor agencies. The State issues a separate single audit report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. The State covers 83,557 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1.5 million people.

State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is administered and supervised by the Idaho Supreme Court, which is presided over by a Chief Justice and four Associate Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. The financial reporting entity includes all funds of the primary government as well as material component units for which the primary government is financially accountable. Additional information on component units can be found in Note 1 to the financial statements.

The annual budgetary process serves as the foundation for the State's financial planning and control. The

governmental funds for which budgets are annually appropriated are general, special revenue, capital projects, and earnings of the permanent funds. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated. The appropriate department must approve all claims presented for payment. The expenditure must be for a purpose intended by law, and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further described in the note to the required supplementary information and the separately issued Legal Basis Financial Report.

ECONOMIC CONDITION

Economy

The October 2008 *Idaho Economic Forecast* reports that like the national and international economies, every sector of Idaho's economy faces challenges. Employment and the slow-growing national economy paint a picture of disappointing future economic growth for the State. Nonfarm employment is forecast to shrink from 651,693 jobs in 2008 to 642,807 in 2009. Nonfarm employment is expected to rise gradually in 2010 and 2011 to 670,812 jobs.

Economists predict Idaho's economy to cool noticeably over the next two years, which should slow the net migration Idaho has experienced since the 1990's. These changes should ease the growing pains experienced by all levels of Idaho government and reduce the growth rate for Idaho government employment. State and local government jobs should increase from 105,919 in 2008 to 106,145 in 2011; of those jobs, education-related employment should increase from 53,455 in 2008 to 54,418 in 2011. Economists expect noneducation state and local jobs to shrink slightly. For the same period, federal employment in Idaho should remain stable at around 13,300 jobs. The exception is 2010, when hiring for the U.S. census will probably push employment above 13,500.

Goods-producing industries are manufacturing, mining, and construction. The largest of Idaho's goods-producing industries is manufacturing, which includes logging and wood products, metal fabrication, machinery, computer and electronics, food processing, printing, and chemicals.

Worldwide imbalance of supply and demand that has depressed prices and lackluster U.S. business investment is expected to impede recovery in the computer and electronics sector. Micron Technology announced the Boise plant would lose about 1,500 jobs beginning in 2009 due to market conditions that have driven the price of memory products below the manufacturing costs. In contrast, Hoku Scientific, Inc., is building a $390.0 million polysilicon plant in Pocatello. Polysilicon is used by the solar power market. They expect to start shipping product in 2009. Pocatello is also the new home of wind turbine manufacturer Nordic Windpower, Inc. State economists predict this sector will experience a net decrease from 14,306 jobs in 2008 to 12,449 jobs in 2011.

Idaho's lumber and wood products sector faces three supply-side factors. The first concern is the dwindling timber supply from federal forests. The national forests' share of Idaho's timber harvest shrank from 23.9 percent in 1996 to 8.4 percent in 2005. Several older mills throughout the State have closed. The JD Lumber Mill in Priest River closed in October 2008 resulting in a loss of about 200 jobs. The entire inland region has about half as many mills as existed 20 years ago. The second challenge is excess capacity, which remains a challenge in spite of plant closures. Recent estimates suggest the industry can produce 20 to 25 percent more lumber than is being consumed in North America. The third factor is a result of the industry's own success. The mills have become more efficient to remain competitive, meaning the mills need fewer workers. Economists forecast this sector's employment to drop from 8,091 jobs in 2008 to 7,096 jobs in 2010. As the housing market recovers, the sector expects to recover at around 8,220 jobs in 2011.

Idaho construction employment is expected to decline from 45,982 jobs in 2008 to 40,743 jobs in 2011. One of the State's most reliable employment engines from 1999 through 2006, construction sector employment will be missed by the Idaho economy.

Idaho mining employment is expected to drop from a peak of 2,842 jobs in 2008 to 2,427 jobs in 2011 despite silver prices, which have been around $17 per ounce. These high prices have increased exploration activity by U.S. Silver near the Galena Mine and the Gem State property near the Golconda district. SNS Silver is considering the possibility of bringing the Crescent Mine near Kellogg back into production. However, the short-term outlook for this sector will be driven more by economics than geology, given the recent drop in the spot price of silver to about $10 per ounce.

Food processing remains one of Idaho's cornerstone industries and is poised to reclaim its position as the State's largest manufacturing employer in 2008. After declining for nearly a decade, Idaho food processing employment is forecast to increase from 15,814 jobs in 2008 to 16,055 jobs in 2011.

Idaho's nongoods producing industries can be divided into two broad categories, services and trades. Together they account for about 80 percent of the State's nonfarm

jobs. Service industries include information services; financial activities; transportation, warehousing, and utilities; professional and business services; education and health services; and leisure and hospitality services. Education and health services are driven more by demographics than economics. This nongoods-producing category should grow from 77,832 jobs in 2008 to 84,372 jobs in 2011. Professional and business services and leisure and hospitality services should each grow at 1.6 percent over the same period; however, leisure and hospitality services are vulnerable to high energy prices and weak discretionary consumer spending over the next couple of years. Total service employment is expected to increase from 307,740 jobs in 2008 to 328,971 jobs in 2011. Nongoods-producing industries also include retail and wholesale trade. Idaho trade employment is forecast to rise from 110,871 jobs in 2008 to 114,778 jobs in 2011.

Unlike employment, Idaho's nominal personal income is not expected to decline. Adjusting for inflation, Idaho personal income is expected to be flat in 2008 at $40,304 then grow 1.6 percent in 2009, 2.3 percent in 2010, and 3.9 percent in 2011 to $43,532.

Long-Term Financial Planning

The Division of Financial Management changed their revenue projection methodology by identifying ongoing and one-time components of revenue to account for economic ebbs and flows. This change permitted the Legislature to revise the revenue forecast when the national economic outlook began to impact state revenues and to adjust spending accordingly.

Original fiscal year 2009 revenue projections were revised downward in February 2008. Most reductions were made in one-time revenues rather than ongoing revenues, resulting in a revenue estimate of $2.9 billion for fiscal year 2009. The *Idaho Constitution* provides that expenditures shall not exceed revenues; therefore, Governor Otter has declared budget reductions totaling 4 percent with future cuts probable.

Financial Policies

Article VII of the *Idaho Constitution* allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon sales tax or income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

The State, through *Idaho Code*, Sections 57-814, 67-3520, and 33-907, maintains funds for the purposes of meeting General Fund revenue shortfalls, meeting expenses incurred because of a major disaster, providing tax relief to the citizens of Idaho on a one-time basis, or providing a uniform and thorough system of public schools. The 2008 balances in the reserve funds were as follows: budget stabilization fund, $140.6 million; economic recovery fund, $72.5 million; and public education stabilization fund, $112.0 million.

Major Initiatives

Health and Human Services. The General Fund appropriation for the Department of Health and Welfare increased from $544.8 million in fiscal year 2008 to $587.2 million in fiscal year 2009, a 7.8 percent increase. The Medicaid program received $26.1 million, or 61.6 percent of the increase. The newly created Office of Drug Policy received $9.8 million, or 23.1 percent of new appropriations, for community-based substance abuse programs.

Public Schools. Total 2009 funding was increased by 2.9 percent from $1.65 billion to $1.7 billion. Base salaries were increased by 2 percent for administrators, 2.5 percent for teachers, and 3 percent for classified staff. Major measures funded by the increase are a statewide math initiative, $4.0 million; and funding for the Bond Levy Equalization program, $16.5 million, which will provide subsidies to school districts for the costs of repaying debt on bonds passed by their patrons. The appropriation also provides $17.3 million for school building maintenance from lottery proceeds and a $3.0 million General Fund match for school facility maintenance. The Legislature increased the minimum teacher salary from $31,000 to $31,750.

Community Colleges. The fiscal year 2009 appropriation for the State's three community colleges includes $5.0 million of general funds for the newly formed College of Western Idaho.

Special Programs. The Legislature appropriated $10.0 million in general funds for the Opportunity Scholarship endowment, which will bring the 2009 fund balance up to $20.0 million plus earnings.

Department of Correction. The 2009 General Fund appropriation includes $4.9 million for an anticipated increase in the number of offenders housed in county jails or out-of-state facilities.

Board of Correction. The Board of Correction was authorized to enter into an agreement with the Idaho State Building Authority to finance and build a secure mental health treatment facility that is projected to cost $70.0 million. Future bond payments are estimated to begin in three years and will be paid for out of the General Fund.

Department of Juvenile Corrections. The Legislature appropriated a total of $3.6 million in new funding; $2.1 million or 57.4 percent of the increase will provide for operating costs associated with the addition of a 24-bed mental health unit at the Nampa Juvenile Correction Facility.

Transportation. The Legislature granted the Idaho Transportation Department a third consecutive year of bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance an additional $134.0 million of highway transportation projects around the State.

Permanent Building Fund. The Legislature appropriated a total of $52.8 million from the Permanent Building Fund, $22.3 million for repair and maintenance projects, and $30.5 million for 10 capital projects. The projects with the largest appropriations are as follows: a 76-bed wing at the Idaho Correctional Center, $4.0 million; construction of the Center for Environmental Studies and Economic Development at Boise State University, $10.0 million; a remodel of Idaho State University's Meridian building, $5.2 million; expand and renovate the Idaho State Historical Museum, $5.0 million; Idaho State School and Hospital, $3.3 million.

Natural Resources. The Legislature appropriated money for various Natural Resource projects. The key projects with the largest amounts appropriated are as follows: replacement items and capital improvements at parks across the State, $11.5 million; a cash transfer from the General Fund to the Aquifer Planning and Management Fund to pay for the first six years of a statewide aquifer planning effort, $20.0 million; a fiscal year 2008 transfer to the Water Resource Revolving Development Fund to address a looming water crisis in the Magic Valley, $10.0 million; and an appropriation to determine the feasibility of enlarging Minidoka Dam and replacing Teton Dam, $1.8 million.

Economic Development. The Legislature appropriated money for various economic development projects. The key projects with the largest amounts appropriated are as follows: economic development and business recruitment, $1.1 million; and preparatory work for the 2009 Special Olympics World Winter Games, $3.0 million.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This is the eleventh consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The State Controller's Office is committed to this ongoing effort and intends to maintain a highly qualified and professional staff to make Idaho's certification possible.

The State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2007. This is the tenth consecutive year the State has received this prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

One of the State's agencies, the Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the System for the last seventeen years. The PERSI should be recognized for this major accomplishment.

The Department of Environmental Quality received a Best Practices/Innovations in Public Procurement from the National Institute of Governmental Purchasing for its purchasing certification program.

The State Controller's Office takes great pride in the preparation of this comprehensive report. I am pleased to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR truly serves the citizens of Idaho. Credit must also be given to Governor Otter and other state leaders for their support in maintaining the highest standards of professionalism in the management of Idaho's finances.

Respectfully submitted,

Donna M. Jones
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

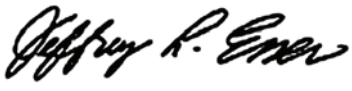
Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

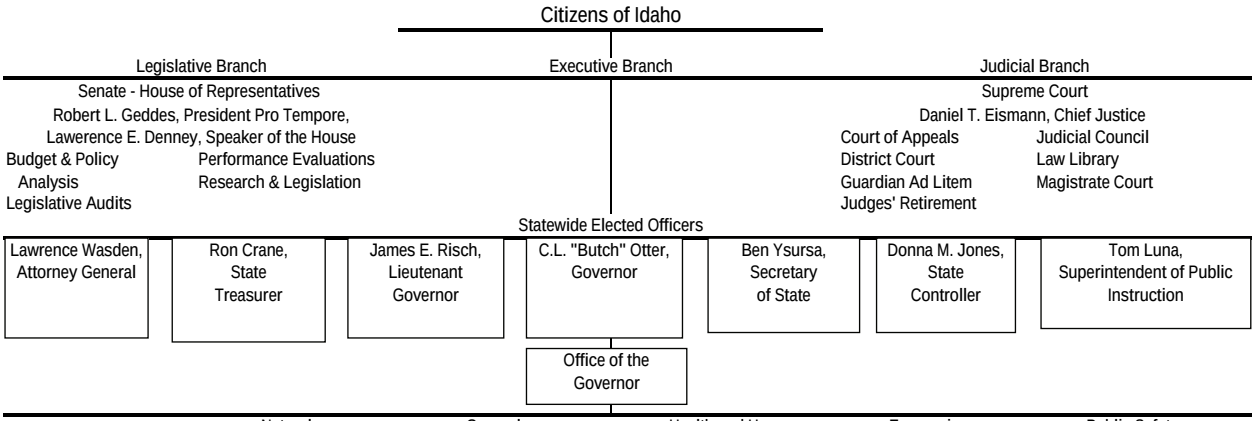
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President



Executive Director

2008 Organization Chart
Idaho State Government
State Agencies Based on Gubernatorial Appointment Authority



Agencies with Executive Appointed by the Governor

Education	Natural Resources	General Government	Health and Human Services	Economic Development	Public Safety
Indep. Living Council	Dept. of Water Resources	Comm. on Aging	Dept. of Health and Welfare	Appellate Public Defender	Dept. of Juvenile Corrections
	Dept. of Environmental Quality	Comm. on the Arts		Bureau of Occup. Licenses	Idaho State Police
		Comm. On Women's Programs		Dept. of Agriculture	
		Dept. of Administration		Div. of Building Safety	
		Div. of Financial Management		Dept. of Commerce	
		Div. of Human Resources		Dept. of Finance	
		Drug Policy		Dept. of Insurance	
		Liquor Dispensary		Dept. of Labor	
		Military Division		Lottery Comm.	
		Public Employee Retirement System		Veterans Services	
		Species Conservation			
		Tax Commission			

Agencies with Executive Appointed by a Board

Education	Natural Resources	General Government	Health and Human Services	Economic Development	Public Safety
Board of Education	Dept. of Fish and Game	Board of Tax Appeals	Public Health Districts	Boards of: Accountancy, Dentistry, Engineers, Geologists, Medicine, Nursing, Optometry, Outfitters and Guides, Pharmacy, and Veterinary Medicine	Brand Inspector
Boise State University	Dept. of Lands	Comm. for the Blind	Catastrophic Health Care		Correctional Industries
Commission for Libraries	Dept. of Parks and Recreation	Comm. on Human Rights			Dept. of Correction
Eastern Idaho Technical College	Endowment Fund Investment Board				Racing Comm.
Historical Society	Lava Hot Springs Foundation				
Idaho State University					
Lewis-Clark State College					
Professional-Technical Education					
Public Broadcasting					
School for the Deaf and the Blind					
University of Idaho					
Vocational Rehab.					
				Certified Shorthand Reporters	
				Comm. on Hispanic Affairs	
				Idaho Transportation Dept.	
				Industrial Comm.	
				Real Estate Comm.	
				Pub. Utilities Comm.	

Prepared by the Division of Financial Management; modified by the Office of the State Controller.

Elected Officials of the State of Idaho

C.L. "Butch" Otter
Governor

Ben Ysursa
Secretary of State

Donna M. Jones
State Controller

James E. Risch
Lieutenant Governor

Ron Crane
State Treasurer

Lawrence Wasden
Attorney General

Tom Luna
Superintendant of Public Instruction

Lawerence E. Denney
Speaker, Idaho House of Representatives

Daniel Eismann
Chief Justice, Idaho Supreme Court

Robert L. Geddes
President, Pro Tempore Idaho State Senate

Financial Section

Photo Source: Karen Penner

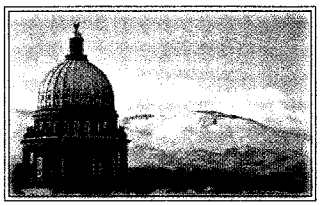
National Oldtime Fiddlers' Contest and Festival

A tradition in Southwest Idaho, the National Oldtime Fiddlers' Contest and Festival has been attracting visitors to Weiser since 1953. Some of the finest musicians in the world gather annually for the Fiddlers' Contest on the third full week of June to compete for national championship titles in this prestigious event.

The Fiddlers' Contest requires each of the contestants to play three songs: a hoedown (a tune in fast 2/4 time), a waltz, and a song of their choice (other than a hoedown or a waltz). Judges are kept away from the stage and listen to the performances electronically in a private room to avoid being swayed by stage presence or audience support of the contestants. From the Small Fry Division to a division for adults aged 70 and older, this is truly a family affair. Visitors to the Fiddlers' Contest get a glimpse of these musicians' passion for the art of fiddling. In addition to fiddling contests other festivities include fiddling workshops, a parade, and a carnival.

A small town with a big claim to fame, Weiser is recognized as the "Fiddling Capital of the World," and is dedicated to preserving fiddle music for future generations to come. The week of music draws national media coverage and over 7,000 people to the area. Over 1,000 volunteers work to make this special week a success, which is quite an accomplishment for a town of slightly more than 5,000 residents.

Data Sources:
http://www.fiddlecontest.com
http://www.swita.org/tcevents.aspx/eventid/3811/nationaloldtimefiddlerscontestandfestival
http://www.idahoptv.org/outdoors/shows/fiddlefest/behind.html
http://www.idahobluegrass.com/index.html



Legislative Services Office
Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 23, 2008

Independent Auditor's Report

Honorable C.L. "Butch" Otter, Governor
Honorable Members of the Legislature
Honorable Donna M. Jones, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2008, that collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Idaho, Idaho State University, Boise State University, Lewis-Clark State College, Eastern Idaho Technical College and their respective component units, nor the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, IDeal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Petroleum Clean Water Trust Fund, Idaho Building Authority, and the Idaho Housing and Finance Association. Those financial statements represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

Government-Wide Financial Statements	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities	18.1%	1.7%
Primary Government - Business-Type Activities	65.5%	68.1%
Aggregate Discretely Presented Component Units	97.6%	98.8%

Fund Financial Statements	Percent of Assets	Percent of Revenues
Governmental Funds		
Public School Endowment - Major Fund	99.6%	99.4%
Pooled Endowment - Major Fund	100.0%	100.0%
Proprietary Funds		
College and Universities - Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	81.7%	4.0%

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those agencies and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The financial statements of the Idaho Housing and Finance Association were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 23, 2008, on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12, and the required supplementary information on pages 98 through 103, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

Don H. Berg, CGFM, Manager
Legislative Audits Division

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the State of Idaho for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State's primary government exceeded its liabilities for the fiscal year ended June 30, 2008, by $9.0 billion (reported as net assets). Of this amount, $1.3 billion (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2008 the State's total net assets increased by $305.2 million. Net assets of governmental activities increased by $283.3 million, while net assets of business-type activities increased by $21.9 million.

Fund Highlights

As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $2.9 billion, with $1.2 billion reserved for specific purposes and $1.7 billion unreserved. This includes the General Fund's unreserved fund balance of $1.1 billion.

Long-Term Debt

The State's long-term debt increased $114.6 million from $790.0 million in fiscal year 2007 to $904.6 million in fiscal year 2008. The key factors in this increase were bonds and notes issued by the Idaho State Building Authority, Idaho Transportation Department, and the colleges and universities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which include the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services, such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to private business, where all or a significant portion of costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.

Discretely presented component units are organizations legally separate from but financially accountable to the State or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, and the Idaho Bond Bank Authority.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements and capabilities. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, permanent funds, and a capital projects fund.

Two schedules in the governmental fund financial statements reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- budgetary comparison schedules reconciling the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements
- condition and maintenance data regarding the State's infrastructure reported using the modified approach
- schedules of funding progress and actuarial information related to the State's obligation to provide pension and postemployment benefits to certain employees

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, capital projects, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceeded liabilities by $9.0 billion for the most recent fiscal year. The State's combined net assets increased $305.2 million over the course of this fiscal year's operations. Net assets of governmental activities increased $283.3 million and business-type activities net assets increased $21.9 million.

Net Assets
June 30, 2008 and 2007
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	**2007***	**2008**	**2007***	**2008**	**2007***
Current and Other Assets	$4,224,416	$4,795,632	$1,274,764	$1,224,344	$5,499,180	$6,019,976
Capital Assets	4,885,243	4,625,689	958,410	856,426	5,843,653	5,482,115
Total Assets	9,109,659	9,421,321	2,233,174	2,080,770	11,342,833	11,502,091
Other Liabilities	1,091,836	1,777,007	196,123	121,824	1,287,959	1,898,831
Long-Term Liabilities	566,773	476,527	498,071	441,905	1,064,844	918,432
Total Liabilities	1,658,609	2,253,534	694,194	563,729	2,352,803	2,817,263
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,450,353	4,406,128	517,949	513,584	4,968,302	4,919,712
Restricted	1,934,455	1,773,496	830,375	813,880	2,764,830	2,587,376
Unrestricted	1,066,242	988,163	190,656	189,577	1,256,898	1,177,740
Total Net Assets	**$7,451,050**	**$7,167,787**	**$1,538,980**	**$1,517,041**	**$8,990,030**	**$8,684,828**

*These columns have been restated. More detailed information can be found in Note 13.

The largest component of the State's net assets, $5.0 billion or 55.3 percent, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending. Capital assets increased $361.5 million during the year mainly due to highway improvements, the Capitol restoration, and various state building additions and improvements.

Restricted net assets are the next largest component, comprising 30.7 percent ($2.8 billion). These resources are not available for general use due to restrictions placed on them by external parties such as creditors, grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 14 percent ($1.3 billion) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

At the end of the current fiscal year the State reported positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

Change in Net Assets
For the Fiscal Years Ended June 30, 2008 and 2007
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent
	2008	2007*	2008	2007*	2008	2007*	Change
Revenues							
Program Revenues							
Charges for Services	$611,599	$598,592	$755,366	$806,585	$1,366,965	$1,405,177	(2.7)
Operating Grants and Contributions	1,955,236	2,045,958	244,954	227,620	2,200,190	2,273,578	(3.2)
Capital Grants and Contributions	906	1,481	29,478	54,455	30,384	55,936	(45.7)
General Revenues							
Sales Tax	1,334,032	1,296,040			1,334,032	1,296,040	2.9
Individual and Corporate Taxes	1,599,881	1,605,218			1,599,881	1,605,218	(0.3)
Other Taxes	414,660	417,773			414,660	417,773	(0.7)
Other	80,168	62,758			80,168	62,758	27.7
Total Revenues	5,996,482	6,027,820	1,029,798	1,088,660	7,026,280	7,116,480	(1.3)
Expenses							
General Government	463,125	403,506			463,125	403,506	14.8
Public Safety and Correction	324,843	285,669			324,843	285,669	13.7
Health and Human Services	1,818,932	1,750,187			1,818,932	1,750,187	3.9
Education	1,796,160	1,704,447			1,796,160	1,704,447	5.4
Economic Development	756,677	673,234			756,677	673,234	12.4
Natural Resources	243,925	217,222			243,925	217,222	12.3
Interest Expense	45,530	32,232			45,530	32,232	41.3
College and University			875,586	815,373	875,586	815,373	7.4
Unemployment Compensation			171,918	109,338	171,918	109,338	57.2
Loan			2,267	954	2,267	954	137.6
State Lottery			102,065	99,307	102,065	99,307	2.8
Liquor Dispensary			112,476	105,126	112,476	105,126	7.0
Correctional Industries			7,574	6,852	7,574	6,852	10.5
Total Expenses	5,449,192	5,066,497	1,271,886	1,136,950	6,721,078	6,203,447	8.3
Increase (Decrease) in Net Assets before Transfers	547,290	961,323	(242,088)	(48,290)	305,202	913,033	(66.6)
Transfers	(264,027)	(213,699)	264,027	213,699	0	0	
Change in Net Assets	283,263	747,624	21,939	165,409	305,202	913,033	(66.6)
Net Assets, Beginning of Year, as Restated	7,167,787	6,420,163	1,517,041	1,351,632	8,684,828	7,771,795	11.7
Net Assets, End of Year	**$7,451,050**	**$7,167,787**	**$1,538,980**	**$1,517,041**	**$8,990,030**	**$8,684,828**	3.5

*These columns have been restated. More detailed information can be found in Note 13.
The Total Percent Change column shows the percentage change in operations from fiscal year 2007 to 2008 for each line item. Readers should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (e.g., 45.7 percent for capital grants and contributions of $25,552), it may not have as significant of an effect on the overall change in net assets as a change in a more material line item with a smaller percentage change (e.g., 3.2 percent for operating grants and contributions, $73.4 million).

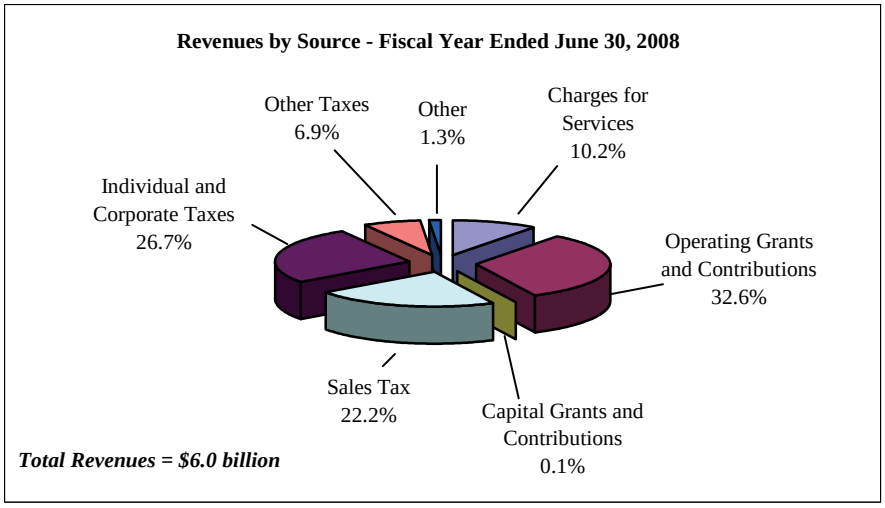
Governmental Activities

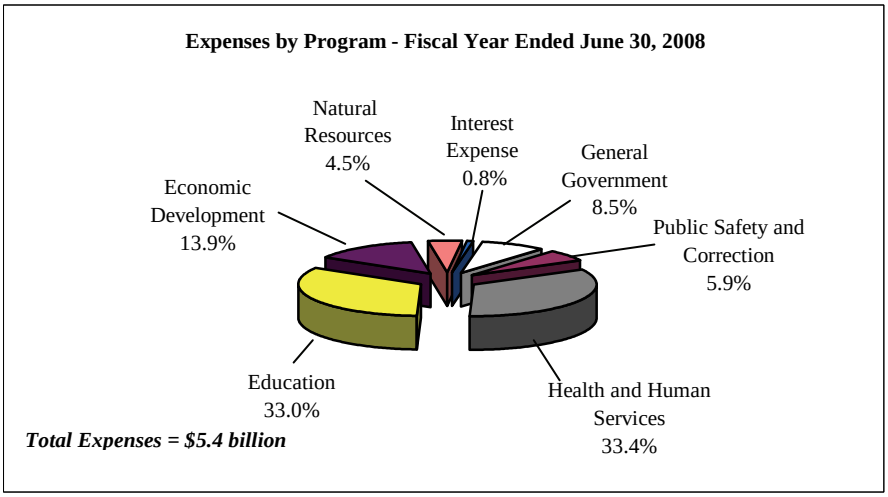
The overall financial position for Governmental Activities improved during the fiscal year, as evidenced by the $283.3 million increase in net assets. The key elements of this increase was a 2.9 percent increase ($38.0 million) in sales tax revenue; a 27.7 percent increase ($17.4 million) in other general revenues related

mainly to increased unrestricted investment earnings of $16.1 million; a 2.2 percent increase ($13.0 million) in charges for services; and increased federal grant revenues of $82.9 million primarily for health care assistance, infrastructure, and education. Grant revenues were offset by decreased investment earnings of the Public and Pooled Endowment funds. The Endowment funds manage and invest the revenues generated from the sale or lease of lands granted by the federal government upon statehood.

Education expenses increased during the year by 5.4 percent ($91.7 million) due to an increased public school distribution for facilities improvements, salaries, and operating expenses. Economic Development expenses increased by 12.4 percent ($83.4 million) mainly due to infrastructure preservation and maintenance. Health and Human Services expenses increased by 3.9 percent ($68.7 million) due to greater medical assistance payments, mainly related to Medicaid and rehabilitation services payments. General Government expenses increased 14.8 percent ($59.6 million) primarily due to rising health insurance premium costs for state employees and repair and maintenance of state-owned facilities.

The following charts depict revenues and expenses of the governmental activities:


Revenues by Source - Fiscal Year Ended June 30, 2008
Other Taxes 6.9%
Other 1.3%
Charges for Services 10.2%
Individual and Corporate Taxes 26.7%
Operating Grants and Contributions 32.6%
Sales Tax 22.2%
Capital Grants and Contributions 0.1%
Total Revenues = $6.0 billion


Expenses by Program - Fiscal Year Ended June 30, 2008
Natural Resources 4.5%
Interest Expense 0.8%
General Government 8.5%
Economic Development 13.9%
Public Safety and Correction 5.9%
Education 33.0%
Health and Human Services 33.4%
Total Expenses = $5.4 billion

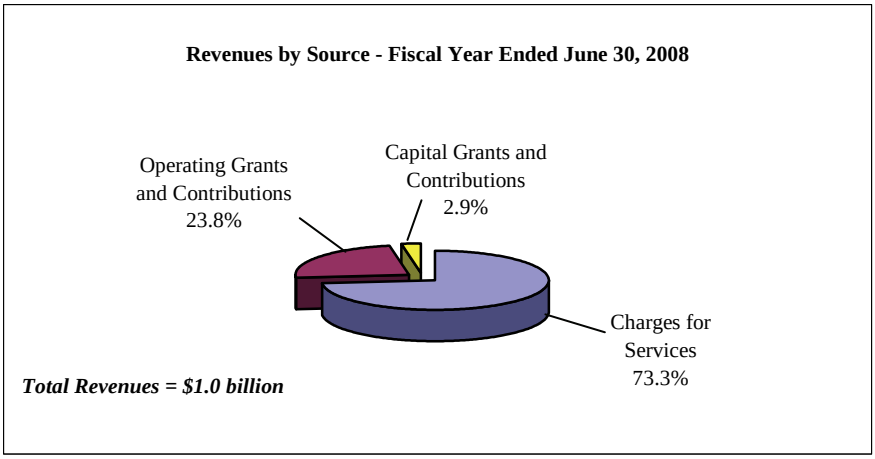
Business-Type Activities

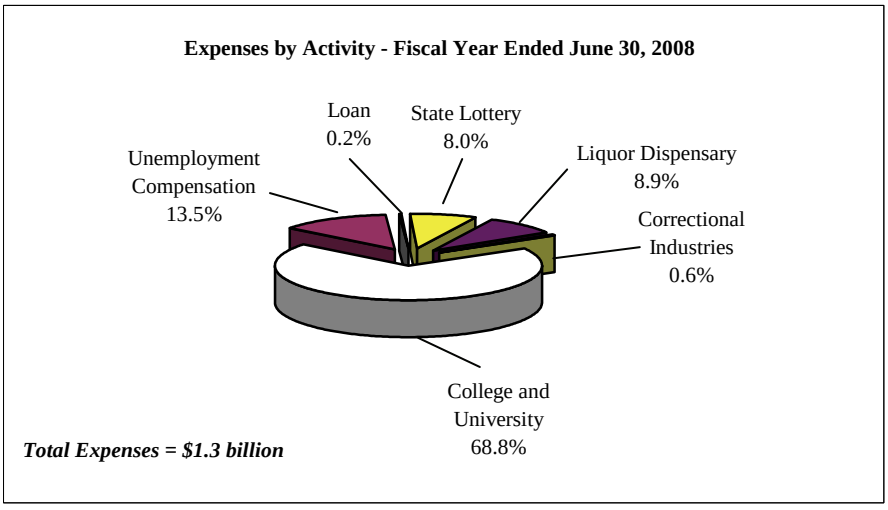
Business-type activities' net assets increased by $21.9 million in fiscal year 2008. The largest changes were seen in the following funds:

- The Unemployment Compensation fund net assets decreased by $48.9 million primarily due to a $64.8 million decrease in assessments related to unemployment insurance and a $60.3 million increase in unemployment compensation benefits.

- College and University net assets increased by $22.1 million primarily due to an increase of $15.6 million in grants and contributions and an increase of $17.8 million in transfers from the General Fund. These revenues were offset by increased personnel costs of $39.6 million and reduced capital contributions of $25.0 million.
- Loan fund net assets increased by $44.0 million primarily due to increased grants to provide loans to municipalities to make improvements to water systems and a transfer from the General Fund of $10.0 million to facilitate the purchase of a fish hatchery and its water rights.

The following charts depict revenues and expenses of the business-type activities:


Revenues by Source - Fiscal Year Ended June 30, 2008
Operating Grants and Contributions 23.8%
Capital Grants and Contributions 2.9%
Charges for Services 73.3%
Total Revenues = $1.0 billion


Expenses by Activity - Fiscal Year Ended June 30, 2008
Loan 0.2%
State Lottery 8.0%
Unemployment Compensation 13.5%
Liquor Dispensary 8.9%
Correctional Industries 0.6%
College and University 68.8%
Total Expenses = $1.3 billion

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $2.9 billion, an increase of $98.4 million in comparison with the prior fiscal year. Of this amount $1.7 billion (57.6 percent) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds but may be limited by state statutes. The remainder of the fund balance, $1.2 billion (42.4 percent), is reserved to indicate that it is not available for new spending because it has been reserved for various commitments, such as bond retirement, liquidation of purchase orders and contracts of the prior period, and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year unreserved fund balance was $1.1 billion and reserved fund balance was $112.3 million. Total fund balance increased $95.1 million (8.7 percent) from the prior fiscal year primarily as a result of increased sales tax revenue of $32.6 million, sales of goods and services of $14.0 million, and investment income of $19.3 million. These increases were offset by increases in expenditures, mainly $86.8 million for education due to an increased public school distribution for facilities improvements, salaries, and operating expenses; $26.4 million in capital outlay mainly due to the Capitol Building restoration; and $28.0 million primarily due to rising health insurance premium costs for state employees and repair and maintenance of state-owned facilities.

Health and Welfare's fund balance increased $11.9 million from the prior fiscal year primarily due to an increase of $25.1 million in federal grants and $42.4 million transferred from the General Fund. The increased revenues were offset by increased expenditures of $72.1 million, primarily due to greater to Medicaid and rehabilitation services payments.

Transportation's fund balance increased $33.7 million during the current fiscal year. Significant changes include an increase of $16.4 million in federal grants for highway improvements and an increase of $17.8 million in debt service payments for highway improvements.

Public School Endowment's fund balance decreased $21.2 million in fiscal year 2008, due mainly to a $38.4 million decrease in the fair market value of investments related to the decline in the U.S. equity market. The Pooled Endowment's investments decreased $18.6 million in fair market value during the current fiscal year.

Nonmajor governmental fund balances decreased by $30.0 million during fiscal year 2008, mainly due to increased capital expenditures of $74.1 million for transportation infrastructure and $25.2 million for state buildings. In addition, $107.5 million in notes payable were issued for highway projects and $53.1 million in bonds were issued to refund outstanding revenue bonds; bond principal retirements amounted to $70.9 million. Expenditures were offset by an increase of federal grant revenue of $40.0 million, related mainly to education and miscellaneous programs.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Enterprise funds are discussed above in business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund cash balance carried forward from fiscal year 2007 was $268.8 million. The General Fund revenue forecast for fiscal year 2008 of $2,912.2 million was revised downward by $50.2 million (1.8 percent) to $2,862 million. Actual revenue collections for the General Fund of $2,909.8 million exceeded the legislatively accepted forecast by $47.8 million. Overall, the fiscal year 2008 collections were 3.5 percent higher than the previous year. The cash balance carried over into fiscal year 2009 was $239.5 million.

The General Fund Budgetary Comparison Schedule for fiscal year 2008 shows an original expenditures budget of $3.3 billion, which is a 27.0 percent increase over the previous year's $2.6 billion. The variance between the original budget and the final budget in the expenditures section of the General Fund Budgetary Comparison Schedule is $8.7 million, a 0.3 percent increase in original expenditure appropriations. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variance between the final budget and actual spending was a favorable $284.2 million (or 8.5 percent).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008 the State had $5.8 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below. Depreciation charges for this fiscal year totaled $99.9 million.

Capital Assets as of June 30, 2008 and 2007
(Net of depreciation, dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	**2007***	**2008**	**2007**	**2008**	**2007***
Land	$948,599	$935,071	$68,800	$63,200	$1,017,399	$998,271
Construction in Progress	968,930	828,831	73,337	72,509	1,042,267	901,340
Infrastructure--not Depreciated	1,919,944	1,854,340			1,919,944	1,854,340
Historial Art and Collections	122	123	2,144	2,100	2,266	2,223
Intangible Assets			45,382	24,382	45,382	24,382
Buildings and Improvements	409,521	384,550	654,398	582,583	1,063,919	967,133
Improvements Other Than Buildings	41,845	32,218	21,568	21,856	63,413	54,074
Machinery, Equipment, and Other	125,370	125,059	92,781	89,796	218,151	214,855
Infrastructure--Depreciated	470,912	465,497			470,912	465,497
Total	**$4,885,243**	**$4,625,689**	**$958,410**	**$856,426**	**$5,843,653**	**$5,482,115**

*These columns have been restated. More detailed information can be found in Notes 6 and 13.

The total increase in investment in capital assets for the current fiscal year (including additions and deductions) was $361.5 million, or 6.6 percent. This year's major additions include $246.6 million spent for infrastructure assets, which includes construction in progress ($181.8 million), roadways ($32.2 million), rights-of-way ($16.8 million), and bridges and ports of entry ($15.8 million).

The State uses the traditional method of depreciation for its 1,700 bridges and 40 rest areas or ports of entry. The State has adopted the modified approach for reporting roads. Under this alternative method certain maintenance and preservation costs are expensed and depreciation expense is not reported. Approximately 11,930 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (good). A roadway surface is considered substandard under this approach at less than 2.0. The State's established condition level is to have no more than 18 percent of road surfaces in substandard condition. The latest condition assessment rating showed that the State had 81 percent of its road surfaces in good or fair condition, up from 80 percent in condition assessment year 2006. During fiscal year 2008 the State spent $108.6 million to maintain Idaho's road surfaces, up from $79.3 million spent during fiscal year 2007. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in required supplementary information.

Long-Term Debt

Article VIII, Section 1, of the *Idaho Constitution*, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State.

Idaho Code, Title 40, addresses the increasing need for timely improvements to Idaho's highway infrastructure. The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a liability of the State in violation of the *Idaho Constitution.*

New debt resulted mainly from the Idaho Transportation Department issuing $107.5 million in notes payable for highway projects, the Idaho State Building Authority issuing $53.1 million of revenue bonds to refund certain outstanding revenue bonds, colleges and universities issued revenue bonds of $113.6 million to refund several outstanding bonds and to fund an energy savings initiative.

Moody's Investors Service assigned the State of Idaho an issuer rating of Aa2, with a stable outlook. Idaho currently has no general obligation debt outstanding. The State's Tax Anticipation Notes, which carry the faith and credit pledge of the State, are rated MIG 1. Appropriation-backed lease rental debt issued by the Idaho State Building Authority is rated Aa3, with a stable outlook. The State's conservative debt policies have led to modest state debt levels, falling well below national medians; however, the transportation debt program will increase state debt significantly in the next few years. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

Idaho's economy is experiencing the results of turmoil in national and global financial markets and a slowing of statewide employment. In October 2008 Idaho's unemployment rate jumped to 5.4 percent. Layoffs and closures in the high-technology sector of southwestern Idaho, northern Idaho's timber industry, and construction declines statewide pushed the number of Idahoans without jobs over 40,000; double a year ago and the highest number of people out of work in more than a quarter century. Benefit checks have nearly doubled the number issued in 2007 and have cut dramatically into the net assets of the State's Unemployment Insurance Trust Fund. In order to rebuild the Fund, the maximum worker benefit has been reduced 3.0 percent and employer tax rates for 2009 will be substantially increased.

The economic uncertainty and a decline in tax collections prompted Governor C.L. "Butch" Otter to order state budget reductions of 4.0 percent from the General Fund for fiscal year 2009, with future cuts probable. In addition, the Governor directed all state agencies to begin preparing for reductions in budget proposals already submitted for fiscal year 2010.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements

Photo Sources: Flickr.com - unknown, Julie Benintendi, Tamara Sandmeyer, Greg Redell

McCall Winter Carnival

One of the most anticipated annual Idaho festivals is the McCall Winter Carnival. The history of this festival dates back to 1924. The first event kicked off with the arrival of 248 people, including Governor Charles C. Moore, on the largest train ever to enter McCall. Carnival goers enjoyed three fun-filled days of dog sled racing, ski racing and jumping, ski joring, snow shoveling contests, snowshoe racing, and riding on Payette Lake's taxi boats. A toboggan ride took Carnival goers from the top of a hotel building, across the street, and ended on the lake. After a 17-year run, the carnival took a 24-year hiatus.

The McCall community revived the Winter Carnival in 1965. The Carnival has become nationally known, attracting more than 30,000 attendees each year. The Carnival runs from the last weekend in January through the first weekend in February. Every year a different lively theme is featured, such as "One Hundred Years of Movies on Ice" and "Wild, Wild West."

The Winter Carnival is best known for the impressive ice and snow sculptures that are scattered throughout the town. The Carnival starts with the 48-hour Idaho Snow Sculpting Championship. Teams of sculptors often prepare for this event weeks or months in advance. Using no power tools and sometimes working throughout the night, the contestants always manage to "wow" crowds with their themed winter masterpieces.

Other events include the Mardi Gras Grand Parade, Monte Carlo Casino Night, the Monster Dog Pull, Hairy Beard Contest, Hairy and Sexy Leg Contest, Snowshoe Golf Tournament, Nite Rider Rail Jam, and a closing ceremony of fireworks over Payette Lake.

Data Sources:
http://mccallwintercarnival.com
http://www.idahostatesman.com/400/story/269191.html
McCall Chamber of Commerce

Statement of Net Assets
June 30, 2008
(dollars in thousands)

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Cash and Cash Equivalents	$9,864	$231,262	$241,126
Pooled Cash and Investments	1,405,367	68,796	1,474,163
Investments	1,365,660	319,137	1,684,797
Securities Lending Collateral	692,889	72,468	765,357
Accounts Receivable, Net	58,767	107,038	165,805
Taxes Receivable, Net	298,139		298,139
Internal Balances	1,749	(1,749)	
Due from Other Entities	158,955		158,955
Inventories and Prepaid Items	41,385	22,420	63,805
Due from Primary Government			
Due from Component Unit	23,195	79,402	102,597
Loans, Notes, and Pledges Receivable, Net	13,163	224,191	237,354
Other Assets	10,163	16,502	26,665
Restricted Assets:			
Cash and Cash Equivalents	134,154	75,577	209,731
Investments	10,966	59,720	70,686
Capital Assets:			
Nondepreciable	3,837,595	189,663	4,027,258
Depreciable, Net	1,047,648	768,747	1,816,395
Total Assets	$9,109,659	$2,233,174	$11,342,833
LIABILITIES			
Accounts Payable	$120,348	$32,454	$152,802
Payroll and Related Liabilities	32,768	35,772	68,540
Medicaid Payable	82,746		82,746
Due to Other Entities	69,980	4,205	74,185
Unearned Revenue	56,094	38,546	94,640
Amounts Held in Trust for Others	7,453	1,970	9,423
Due to Primary Government			
Due to Component Unit		406	406
Obligations Under Securities Lending	692,889	72,468	765,357
Other Accrued Liabilities	29,558	10,302	39,860
Long-Term Liabilities:			
Due Within One Year	119,667	48,731	168,398
Due in More Than One Year	447,106	449,340	896,446
Total Liabilities	1,658,609	694,194	2,352,803
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,450,353	517,949	4,968,302
Restricted for:			
Claims and Judgments	78,159		78,159
Debt Service	68,531	976	69,507
Intergovernmental Revenue Sharing	15,584		15,584
Transportation	168,150		168,150
Regulatory	60,765		60,765
Natural Resources and Recreation	87,278	285,077	372,355
Unemployment Compensation		300,127	300,127
Permanent Trust - Expendable	347,808	132,461	480,269
Permanent Trust - Nonexpendable	985,615	77,042	1,062,657
Other Purposes	122,565	34,692	157,257
Unrestricted	1,066,242	190,656	1,256,898
Total Net Assets	7,451,050	1,538,980	8,990,030
Total Liabilities and Net Assets	$9,109,659	$2,233,174	$11,342,833

The accompanying notes are an integral part of the financial statements.

Component Units
$37,721
635
1,102,873
395
892
83,342
1,627,290
58,392
27,306
764
4,072
8,139
$2,951,821
$1,221
21,914
30,258
79,402
137,011
127,188
2,038,335
2,435,329
8,741
134,348
123,149
176,518
2,097
71,639
516,492
$2,951,821

Statement of Activities
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	$463,125	$92,457	$58,322	
Public Safety and Correction	324,843	33,916	13,594	$333
Health and Human Services	1,818,932	85,113	1,179,041	
Education	1,796,160	9,338	239,842	205
Economic Development	756,677	240,023	402,124	139
Natural Resources	243,925	150,752	62,313	229
Interest Expense	45,530			
Total Governmental Activities	5,449,192	611,599	1,955,236	906
Business-Type Activities				
College and University	875,586	337,699	226,166	29,478
Unemployment Compensation	171,918	126,575	3,718	
Loan	2,267	16,522	15,070	
State Lottery	102,065	137,664		
Liquor Dispensary	112,476	129,172		
Correctional Industries	7,574	7,734		
Total Business-Type Activities	1,271,886	755,366	244,954	29,478
Total Primary Government	$6,721,078	$1,366,965	$2,200,190	$30,384
Component Units				
Idaho Housing and Finance Association	$99,712	$89,557		
College and University Foundation	43,277	(2,223)	$74,149	
Petroleum Clean Water Trust Fund	3,188	2,644		
Health Reinsurance	8,079	5,214	960	
Bond Bank Authority	2,160	2,159		
Total Component Units	$156,416	$97,351	$75,109	
GENERAL REVENUES				
Sales Tax				
Individual and Corporate Taxes				
Fuel Tax				
Other Taxes				
Tobacco Settlement				
Unrestricted Investment Earnings				
Payments from State of Idaho				
Permanent Endowment Contributions				
Transfers				
Total General Revenues, Contributions, and Transfers				
Change in Net Assets				
Net Assets - Beginning of Year, as Restated				
Net Assets - End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
($312,346)		($312,346)	
(277,000)		(277,000)	
(554,778)		(554,778)	
(1,546,775)		(1,546,775)	
(114,391)		(114,391)	
(30,631)		(30,631)	
(45,530)		(45,530)	
(2,881,451)		(2,881,451)	
	($282,243)	(282,243)	
	(41,625)	(41,625)	
	29,325	29,325	
	35,599	35,599	
	16,696	16,696	
	160	160	
	(242,088)	(242,088)	
(2,881,451)	(242,088)	(3,123,539)	
			($10,155)
			28,649
			(544)
			(1,905)
			(1)
			16,044
1,334,032		1,334,032	
1,599,881		1,599,881	
228,786		228,786	
185,874		185,874	
28,631		28,631	
51,537		51,537	
			2,999
			253
(264,027)	264,027		
3,164,714	264,027	3,428,741	3,252
283,263	21,939	305,202	19,296
7,167,787	1,517,041	8,684,828	497,196
$7,451,050	$1,538,980	$8,990,030	$516,492

Balance Sheet
Governmental Funds
June 30, 2008
(dollars in thousands)

	General	Health and Welfare	Transportation	Public School Endowment
ASSETS				
Cash and Cash Equivalents	$2		$7	
Pooled Cash and Investments	933,647	$33,529	142,205	$3,554
Investments	131,515		41,160	734,801
Securities Lending Collateral	493,154	985	17,662	125,924
Accounts Receivable, Net	17,546	15,250	5,487	5,743
Taxes Receivable, Net	275,084	165	20,150	
Interfund Receivables	5,644			
Due from Other Entities		106,833	19,394	
Inventories and Prepaid Items	8,428	3,333	14,240	
Due From Component Unit				
Loans, Notes, and Pledges Receivable, Net	482		544	
Other Assets	86	19	320	2,028
Restricted Assets:				
Cash and Cash Equivalents		6,036	1,660	
Investments		2,295		
Total Assets	$1,865,588	$168,445	$262,829	$872,050
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$30,675	$17,772	$17,861	$3,785
Payroll and Related Liabilities	8,537	6,964	4,129	
Medicaid Payable		82,746		
Interfund Payables	2,043	1,131	173	
Due to Other Entities	38,496		28,690	
Deferred Revenue	93,886	9,493	19,277	
Amounts Held in Trust for Others	165	4,967	866	
Obligations Under Securities Lending	493,154	985	17,662	125,924
Other Accrued Liabilities	8,059	3,106	6,072	
Total Liabilities	675,015	127,164	94,730	129,709
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	52,254	4,724	16,841	
Inventories and Prepaid Items	8,428	3,333	14,240	
Noncurrent Receivables	759			
Permanent Trusts	50,900			633,149
Other Purposes		5,212		
Unreserved, Reported in:				
General Fund	1,078,232			
Special Revenue Funds		28,012	137,018	
Capital Projects				
Permanent Funds				109,192
Total Fund Balances	1,190,573	41,281	168,099	742,341
Total Liabilities and Fund Balances	$1,865,588	$168,445	$262,829	$872,050

The accompanying notes are an integral part of the financial statements.

Pooled Endowment	Nonmajor Governmental	Total
	$9,855	$9,864
$1,036	209,138	1,323,109
382,501	37,463	1,327,440
20,920	17,844	676,489
3,669	11,009	58,704
	2,740	298,139
	2,178	7,822
	32,728	158,955
	12,321	38,322
	23,195	23,195
	12,137	13,163
337	1,802	4,592
	126,458	134,154
	8,671	10,966
$408,463	$507,539	$4,084,914
$834	$48,763	$119,690
	12,654	32,284
		82,746
	3,556	6,903
	2,794	69,980
	37,934	160,590
	1,455	7,453
20,920	17,844	676,489
	8,277	25,514
21,754	133,277	1,181,649
	68,531	68,531
	24,089	97,908
	12,321	38,322
	11,028	11,787
301,566		985,615
	22,737	27,949
		1,078,232
	235,505	400,535
	51	51
85,143		194,335
386,709	374,262	2,903,265
$408,463	$507,539	$4,084,914

GREAT SEAL OF
THE STATE OF IDAHO
ESTO PERPETUA

Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2008
(dollars in thousands)

Total Fund Balances - Governmental Funds		$2,903,265
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:		
Land	$948,599	
Construction in Progress	968,930	
Infrastructure	2,550,142	
Historical Art and Collections	72	
Buildings and Improvements	642,470	
Improvements Other Than Buildings	58,907	
Machinery, Equipment, and Other	321,286	
Accumulated Depreciation	(624,243)	
Total Capital Assets		4,866,163
Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds.		117,262
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		104,938
Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets.		5,264
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:		
Capital Leases Payable	(11,833)	
Compensated Absences Payable	(55,887)	
Bonds and Notes Payable	(419,357)	
Accrued Interest on Bonds	(3,832)	
Claims and Judgments	(30,834)	
Other Long-Term Liabilities	(24,099)	
Total Long-Term Liabilities		(545,842)
Net Assets - Governmental Activities		$7,451,050

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	General	Health and Welfare	Transportation	Public School Endowment
REVENUES				
Sales Tax	$1,328,218			
Individual and Corporate Taxes	1,587,694			
Other Taxes	65,757	$1,813	$219,427	
Licenses, Permits, and Fees	20,225	4,499	120,435	
Sale of Goods and Services	20,877	78,076	5,546	$39,669
Grants and Contributions	4,805	1,179,461	320,489	
Investment Income	60,758	777	6,704	(16,423)
Tobacco Settlement	28,504			
Other Income	34,561	111	5,305	
Total Revenues	3,151,399	1,264,737	677,906	23,246
EXPENDITURES				
Current:				
General Government	135,470	18		
Public Safety and Correction	239,977			
Health and Human Services	29,319	1,746,290		
Education	1,552,952			
Economic Development	29,279		175,552	
Natural Resources	50,654			17,382
Capital Outlay	79,261	3,849	295,233	50
Intergovernmental Revenue Sharing	205,937	39,446	137,823	
Debt Service:				
Principal Retirement	353		20,240	
Interest and Other Charges	18,406	50	8,998	
Total Expenditures	2,341,608	1,789,653	637,846	17,432
Revenues Over (Under) Expenditures	809,791	(524,916)	40,060	5,814
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions	815			
Sale of Capital Assets	235	108	9,988	
Transfers In	150,920	536,977		
Transfers Out	(866,640)	(264)	(16,381)	(27,022)
Total Other Financing Sources (Uses)	(714,670)	536,821	(6,393)	(27,022)
Net Changes in Fund Balances	95,121	11,905	33,667	(21,208)
Fund Balances - Beginning Of Year, as Restated	1,095,452	29,376	134,432	763,549
Fund Balances - End of Year	$1,190,573	$41,281	$168,099	$742,341

The accompanying notes are an integral part of the financial statements.

Pooled Endowment	Nonmajor Governmental	Total
	$4,800	$1,333,018
		1,587,694
	127,674	414,671
	133,997	279,156
$35,066	52,651	231,885
	458,176	1,962,931
(7,362)	18,952	63,406
		28,504
	21,553	61,530
27,704	817,803	5,962,795
	41,824	177,312
	60,129	300,106
		1,775,609
	224,738	1,777,690
	185,593	390,424
7,038	142,140	217,214
	166,666	545,059
	68,883	452,089
	71,784	92,377
	17,911	45,365
7,038	979,668	5,773,245
20,666	(161,865)	189,550
	160,617	160,617
	224	1,039
	1,259	11,590
352	43,525	731,774
(12,099)	(73,770)	(996,176)
(11,747)	131,855	(91,156)
8,919	(30,010)	98,394
377,790	404,272	2,804,871
$386,709	$374,262	$2,903,265

GREAT SEAL OF
THE STATE OF IDAHO
ESTO PERPETUA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2008

(dollars in thousands)

Net Change in Fund Balances - Governmental Funds		$98,394
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:		
Capital Outlay	$339,349	
Depreciation Expense	(50,553)	
		288,796
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.		(27,413)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		7,289
The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year the following debt was incurred:		
Bonds and Notes	(160,617)	
Capital Leases	(1,039)	
		(161,656)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:		
Bond and Note Principal	91,164	
Bond Issue Costs	504	
Capital Leases	1,073	
		92,741
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Assets. In the current year these amounts consisted of:		
Accrued Interest and Amortization	1,174	
Compensated Absences	58	
Other Long-Term Liabilities	(19,393)	
		(18,161)
Internal service funds are reported separately from governmental funds in the funds statements. In the government-wide statements, internal service funds are included with governmental activities.		3,273
Change in Net Assets - Governmental Activities		$283,263

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets
Proprietary Funds
June 30, 2008
(dollars in thousands)

	Business-Type Activities--Enterprise Funds		
	College and University	**Unemployment Compensation**	**Loan**
ASSETS			
Current Assets			
Cash and Cash Equivalents	$90,658	$138,044	
Pooled Cash and Investments	36,192	2,358	$9,857
Investments	34,277		
Securities Lending Collateral		47,665	24,803
Accounts Receivable, Net	51,202	52,837	630
Interfund Receivables	3,486		
Inventories and Prepaid Items	8,598		
Due from Component Unit	2,360		
Loans, Notes, and Pledges Receivable, Net	3,142		8,746
Other Current Assets	940		3,907
Total Current Assets	230,855	240,904	47,943
Noncurrent Assets			
Restricted Cash and Cash Equivalents	8,194		32,759
Investments	173,784	111,076	
Restricted Investments	1,180		58,540
Due from Component Unit	77,042		
Loans, Notes, and Pledges Receivable, Net	23,477		188,826
Other Noncurrent Assets	11,655		
Capital Assets, Net	895,648		54,779
Total Noncurrent Assets	1,190,980	111,076	334,904
Total Assets	$1,421,835	$351,980	$382,847
LIABILITIES			
Current Liabilities			
Accounts Payable	$21,500	$4,188	$61
Payroll and Related Liabilities	35,206		
Interfund Payables	3,386		
Due to Other Entities			11
Unearned Revenue	21,711		16,820
Amounts Held in Trust for Others	1,970		
Due to Component Unit	406		
Obligations Under Securities Lending		47,665	24,803
Other Accrued Liabilities	6,491		320
Capital Leases Payable	393		
Capital Leases Payable to Component Unit	265		
Compensated Absences Payable	19,352		
Bonds and Notes Payable	15,829		12,130
Policy Claim Liabilities			
Total Current Liabilities	126,509	51,853	54,145
Noncurrent Liabilities			
Capital Leases Payable	568		
Capital Leases Payable to Component Unit	2,652		
Bonds and Notes Payable	431,591		6,095
Policy Claim Liabilities			
Other Long-Term Obligations	8,004		
Total Noncurrent Liabilities	442,815		6,095
Total Liabilities	569,324	51,853	60,240
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	473,590		36,554
Restricted for:			
Claims and Judgments			
Debt Service			976
Permanent Trust - Expendable	132,461		
Permanent Trust - Nonexpendable	77,042		
Other Purposes			
Unrestricted	169,418	300,127	285,077
Total Net Assets	852,511	300,127	322,607
Total Liabilities and Net Assets	$1,421,835	$351,980	$382,847

The accompanying notes are an integral part of the financial statements.

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$2,560	$231,262	
20,389	68,796	$82,258
	34,277	
	72,468	16,400
2,369	107,038	63
151	3,637	830
13,822	22,420	3,063
	2,360	
	11,888	
	4,847	307
39,291	558,993	102,921
34,624	75,577	
	284,860	38,220
	59,720	
	77,042	
	212,303	
	11,655	
7,983	958,410	19,080
42,607	1,679,567	57,300
$81,898	$2,238,560	$160,221
$6,705	$32,454	$682
566	35,772	484
2,000	5,386	
4,194	4,205	
15	38,546	12,742
	1,970	
	406	
	72,468	16,400
3,491	10,302	212
47	440	116
	265	
715	20,067	712
	27,959	95
		9,047
17,733	250,240	40,490
131	699	48
	2,652	
	437,686	3,444
		11,117
299	8,303	184
430	449,340	14,793
18,163	699,580	55,283
7,805	517,949	15,377
		78,159
	976	
	132,461	
	77,042	
34,692	34,692	
21,238	775,860	11,402
63,735	1,538,980	104,938
$81,898	$2,238,560	$160,221

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	**Unemployment Compensation**	**Loan**	**Nonmajor Enterprise Funds**
OPERATING REVENUES				
Assessments		$116,523		
Licenses, Permits, and Fees	$265,331		$1,183	$1
Scholarship Allowances	(46,378)			
Sale of Goods and Services	104,967		2,561	273,259
Grants and Contributions	179,358	3,718	15,070	
Other Income	8,422			72
Total Operating Revenues	511,700	120,241	18,814	273,332
OPERATING EXPENSES				
Personnel Costs	534,923			14,289
Services and Supplies	212,130		750	97,205
Benefits, Awards, and Premiums	46,292	169,663		81,464
Depreciation	46,728		151	627
Other Expenses	15,480	2,255		4,132
Total Operating Expenses	855,553	171,918	901	197,717
Operating Income (Loss)	(343,853)	(51,677)	17,913	75,615
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	46,808			
Investment Income	5,343	10,049	12,778	1,238
Interest Expense	(18,938)		(1,366)	(1)
Intergovernmental Distributions				(24,397)
Gain (Loss) on Sale of Capital Assets	(1,095)			
Other Nonoperating Revenues (Expenses)	14	3		
Total Nonoperating Revenues (Expenses)	32,132	10,052	11,412	(23,160)
Income (Loss) Before Contributions and Transfers	(311,721)	(41,625)	29,325	52,455
Capital Contributions	29,478			
Transfers In	304,343		14,650	
Transfers Out		(7,237)		(47,729)
Change in Net Assets	22,100	(48,862)	43,975	4,726
Total Net Assets - Beginning of Year, as Restated	830,411	348,989	278,632	59,009
Total Net Assets - End of Year	$852,511	$300,127	$322,607	$63,735

The accompanying notes are an integral part of the financial statements.

Total	Governmental Activities Internal Service Funds
$116,523	
266,515	
(46,378)	
380,787	$219,266
198,146	1,516
8,494	1,189
924,087	221,971
549,212	11,349
310,085	18,117
297,419	203,513
47,506	1,870
21,867	2,747
1,226,089	237,596
(302,002)	(15,625)
46,808	
29,408	7,642
(20,305)	(1,041)
(24,397)	
(1,095)	(107)
17	
30,436	6,494
(271,566)	(9,131)
29,478	
318,993	1,830
(54,966)	(1,455)
21,939	(8,756)
1,517,041	113,694
$1,538,980	$104,938

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Business-Type	
	College and University	**Unemployment Compensation**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		$124,994
Receipts from Customers	$322,563	
Receipts for Interfund Services		119
Receipts from Grants and Contributions	178,237	3,718
Payments to Suppliers	(204,298)	
Payments to Employees	(530,808)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(45,547)	(169,643)
Other Receipts (Payments)	(6,662)	
Net Cash Provided (Used) by Operating Activities	(286,515)	(40,812)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	45,479	
Intergovernmental Distributions		
Transfers In	304,343	
Transfers Out		(7,237)
Interest Paid		
Other Receipts (Payments)	(460)	
Net Cash Provided (Used) by Noncapital Financing Activities	349,362	(7,237)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	20,746	
Bonds Issued	53,653	
Payment of Bonds and Notes	(23,666)	
Payment of Interest	(18,662)	
Capital Lease Payments		
Proceeds from Disposition of Capital Assets	18	3
Acquisition and Construction of Capital Assets	(112,435)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(80,346)	3
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	15,937	8,722
Purchase of Investments	(247,457)	
Redemption of Investments	299,769	
Other Investing Activities	(33,649)	
Net Cash Provided (Used) by Investing Activities	34,600	8,722
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	17,101	(39,324)
Beginning Cash, Cash Equivalents, and Pooled Cash	117,943	179,726
Ending Cash, Cash Equivalents, and Pooled Cash	$135,044	$140,402
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	($343,853)	($51,677)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	46,728	
Maintenance Costs Paid by Department of Public Works	7,887	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(3,661)	9,287
Inventories and Prepaid Items	(561)	
Notes Receivable	(1,375)	
Other Current Assets	(133)	
Accounts Payable/Interfund Payables	3,413	1,578
Unearned Revenue		
Compensated Absences	1,504	
Policy Claim Liabilities		
Other Accrued Liabilities	3,536	
Net Cash Provided (Used) by Operating Activities	($286,515)	($40,812)

Noncash Transactions (dollars in thousands):

Investments decreased in fair value by $10,724 for colleges and universities, increased in fair value by $2,113 for Unemployment Compensation, $840 for the Loan fund, and $683 for internal service funds. Colleges and universities acquired capital assets through donation in the amount of $523 and through state transfers in the amount of $709; disposed of capital assets at a loss of $1,734; and defeased debt in the amount of $60,315. Nonmajor enterprise funds acquired capital assets of $194 through capital lease. Internal service funds acquired capital assets of $4,334 through state transfers, disposed of capital assets at a loss of $107, and reduced a prepaid item related to a prior-year capital lease for equipment in the amount of $38.

The accompanying notes are an integral part of the financial statements.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		$124,994	
$1,599	$272,914	597,076	
10		129	$222,421
15,070		197,025	1,516
(718)	(101,319)	(306,335)	(16,463)
	(13,918)	(544,726)	(11,036)
(18)	(600)	(618)	(2,551)
	(81,479)	(296,669)	(201,216)
		(6,662)	
15,943	75,598	(235,786)	(7,329)
		45,479	
	(24,294)	(24,294)	
14,650		318,993	1,830
	(47,729)	(54,966)	(1,455)
(294)		(294)	(204)
		(460)	
14,356	(72,023)	284,458	171
		20,746	
10,130		63,783	
(1,980)	(17)	(25,663)	(127)
		(18,662)	
			(158)
	23	44	
(26,003)	(3,383)	(141,821)	(802)
(17,853)	(3,377)	(101,573)	(1,087)
12,919	1,238	38,816	6,912
(44,697)		(292,154)	(1,740)
8,143		307,912	
(1,046)		(34,695)	(791)
(24,681)	1,238	19,879	4,381
(12,235)	1,436	(33,022)	(3,864)
54,851	56,137	408,657	86,122
$42,616	$57,573	$375,635	$82,258
$17,913	$75,615	($302,002)	($15,625)
151	627	47,506	1,870
		7,887	
(630)	2,248	7,244	96
	(1,189)	(1,750)	1,794
		(1,375)	
(805)		(938)	(1)
14	(1,769)	3,236	66
(700)	(42)	(742)	1,871
	(12)	1,492	30
			2,297
	120	3,656	273
$15,943	$75,598	($235,786)	($7,329)

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash and Cash Equivalents	$1,406		$230	$6,733
Pooled Cash and Investments	2,836			29,847
Investments:				
Pooled Short Term	705,391	$677,085	9,784	
Fixed Income Investments	3,041,343	894,561		222,842
Marketable Securities	6,017,085			
Mutual Funds and Private Equities	1,025,132		117,257	
Mortgages and Real Estate	797,114	47,580		
Other Investments			11,337	5,715
Securities Lending Collateral		416,998		2,452
Receivables:				
Investments Sold	978,654			
Contributions	5,361			
Interest and Dividends	47,978	8,614	208	45
Interfund Receivables	1,585			
Other Receivables	109			
Other Assets	38,216			
Capital Assets, Net	2,551			
Total Assets	12,664,761	2,044,838	138,816	$267,634
LIABILITIES				
Accounts Payable	642	53	79	
Payroll and Related Liabilities				$4,009
Interfund Payables	1,585			
Due to Other Entities				734
Amounts Held in Trust for Others				255,638
Obligations Under Securities Lending		416,998		2,452
Investments Purchased	1,375,705		75	
Other Accrued Liabilities	9,646	4,915		4,801
Total Liabilities	1,387,578	421,966	154	$267,634
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	11,066,655			
Postemployment Healthcare Benefits	210,528			
External Investment Pool Participants		1,622,872		
Trust Beneficiaries			138,662	
Total Net Assets	$11,277,183	$1,622,872	$138,662	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	$205,924		
Employer	305,702		
Transfers In from Other Plans	8,946		
Participant Deposits		$2,830,389	$32,298
Total Contributions	520,572	2,830,389	32,298
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(858,757)	15,096	(8,090)
Interest, Dividends, and Other	342,502	55,155	4,064
Securities Lending Income		22,635	
Less Investment Expense:			
Investment Activity Expense	(49,501)	(671)	
Securities Lending Interest Expense		(22,098)	
Net Investment Income	(565,756)	70,117	(4,026)
Miscellaneous Income	1,763		
Total Additions	(43,421)	2,900,506	28,272
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	519,415		
Transfers Out to Other Plans	7,273		
Administrative Expense	6,021		806
Earnings Distribution		62,338	
Participant Withdrawals		2,462,010	12,096
Total Deductions	532,709	2,524,348	12,902
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	(553,167)		
Employee Postemployment Healthcare Benefits	(22,963)		
External Investment Pool Participants		376,158	
Trust Beneficiaries			15,370
Net Assets - Beginning of Year	11,853,313	1,246,714	123,292
Net Assets - End of Year	$11,277,183	$1,622,872	$138,662

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets
Component Units
June 30, 2008
(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
ASSETS				
Cash and Cash Equivalents	$20,405	$13,678	$1,196	$2,442
Pooled Cash and Investments			635	
Investments	719,635	334,497	29,742	18,999
Accounts Receivable, Net			389	6
Inventories and Prepaid Items		8		884
Due from Primary Government	79,631	3,711		
Loans, Notes, and Pledges Receivable, Net	1,514,838	43,882		
Other Assets	53,015	2,680	358	251
Restricted Assets:				
Cash and Cash Equivalents	7,582	19,724		
Investments		764		
Capital Assets:				
Nondepreciable	665	3,407		
Depreciable, Net	6,217	1,922		
Total Assets	$2,401,988	$424,273	$32,320	$22,582
LIABILITIES				
Accounts Payable		$1,198		$23
Unearned Revenue		2,512		19,220
Amounts Held in Trust for Others	$9,665	20,593		
Due to Primary Government		79,402		
Other Accrued Liabilities	135,694	42	$176	285
Long-Term Liabilities:				
Due Within One Year	119,335	365	1,969	3,054
Due in More Than One Year	1,951,281	13,905	5,952	
Total Liabilities	2,215,975	118,017	8,097	22,582
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,881	1,860		
Restricted for:				
Debt Service	134,348			
Permanent Trust - Expendable		123,149		
Permanent Trust - Nonexpendable		176,518		
Other Purposes	2,097			
Unrestricted	42,687	4,729	24,223	
Total Net Assets	186,013	306,256	24,223	
Total Liabilities and Net Assets	$2,401,988	$424,273	$32,320	$22,582

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Total
	$37,721
	635
	1,102,873
	395
	892
	83,342
$68,570	1,627,290
2,088	58,392
	27,306
	764
	4,072
	8,139
$70,658	$2,951,821
	$1,221
$182	21,914
	30,258
	79,402
814	137,011
2,465	127,188
67,197	2,038,335
70,658	2,435,329
	8,741
	134,348
	123,149
	176,518
	2,097
	71,639
	516,492
$70,658	$2,951,821

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Component Units
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
EXPENSES				
Personnel Costs	$7,263	$3,819		
Services and Supplies	5,031	5,090	$1,481	$326
Benefits, Awards, and Premiums	1,027	31,213	1,707	7,751
Interest Expense	85,833	486		2
Depreciation	440	72		
Other Expenses	118	2,597		
Total Expenses	99,712	43,277	3,188	8,079
PROGRAM REVENUES				
Charges for Services:				
Licenses, Permits, and Fees	12,398		877	
Sale of Goods and Services				3,952
Investment Income	73,301	(5,263)	1,767	1,262
Other Income	3,858	3,040		
Operating Grants and Contributions		74,149		960
Total Program Revenues	89,557	71,926	2,644	6,174
Net Revenues (Expenses)	(10,155)	28,649	(544)	(1,905)
GENERAL REVENUES				
Payments from State of Idaho		1,094		1,905
Total General Revenues		1,094		1,905
Contributions to Permanent Endowments		253		
Change in Net Assets	(10,155)	29,996	(544)	
Net Assets - Beginning of Year, as Restated	196,168	276,260	24,767	
Net Assets - End of Year	$186,013	$306,256	$24,223	

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Total
	$11,082
	11,928
	41,698
$2,157	88,478
	512
3	2,718
2,160	156,416
	13,275
	3,952
2,085	73,152
74	6,972
	75,109
2,159	172,460
(1)	16,044
	2,999
	2,999
	253
(1)	19,296
1	497,196
	$516,492

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

In June 2004 the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This Statement establishes standards of accounting and financial reporting for OPEB expenses/expenditures and related OPEB liabilities. The State implemented this Statement during the fiscal year ended June 30, 2008. See Note 8 for more information.

In September 2006 the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement provides accounting and reporting guidance for state and local governments that sell or pledge receivables or future revenues. This Statement also provides guidance for transfers of assets or future revenues within the government. The State implemented this Statement during the fiscal year ended June 30, 2008. See Note 12 for more information.

In May 2007 the GASB issued Statement No. 50, *Pension Disclosures–an amendment of GASB Statement Nos. 25 and 27*. This Statement more closely aligns financial reporting requirements for pensions with those for other post-employment benefits and provides enhanced disclosures in the notes to financial statements and required supplementary information. The State implemented this Statement during the fiscal year ended June 30, 2008. See Note 7 for more information.

The financial statements are presented for the fiscal year ended June 30, 2008, except for the Idaho State Bar, the Idaho Dairy Products Commission (nonmajor special revenue funds), the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units), whose statements are for the fiscal year ended December 31, 2007; and the Idaho Potato Commission (nonmajor special revenue fund) whose statements are for the fiscal year ended August 31, 2007.

A. Reporting Entity

The State of Idaho is governed under the *Idaho Constitution* of 1890, as amended. Legislative power is vested in a 35-member Senate and a 70-member House of Representatives; executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction; and judicial power is vested in the Idaho Supreme Court, Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable or other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the financial statements to be misleading or incomplete. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities for which the State does not appoint a voting majority of the governing body, inclusion of the entity is required if the organization is fiscally dependent on the State. Component units also include legally separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the primary government and blended into the appropriate funds.

The *Idaho State Building Authority* was created by *Idaho Code*, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column on the government-wide statements to

emphasize that they are legally separate from the primary government. The State's discretely presented component units are as follows:

The *Idaho Housing and Finance Association* was created by *Idaho Code*, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income and for facilitating the issuance of bonds or notes to finance projects for transportation infrastructure of the primary government. The Association is authorized to enter into agreements with the Idaho Transportation Department to facilitate transportation projects, including issuing bonds, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members.

The *College and University Foundation* fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting donations and to hold and manage invested donations for the primary benefit of the respective colleges and universities.

The *Petroleum Clean Water Trust Fund* was created by *Idaho Code*, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Fund is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the Fund's annual budget and thereby has the ability to impose its will on the Fund.

The *Idaho Bond Bank Authority* was created by *Idaho Code*, Section 67-8703, authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five member board, of which two members are appointed by the governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State.

The Health Reinsurance fund includes the *Idaho Individual High Risk Reinsurance Pool* created by *Idaho Code*, Section 41-5502; and the *Idaho Small Employer Health Reinsurance Program* created by *Idaho Code*, Section 41-4711. Both the Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience. The Pool and Program provide a safety net to carriers in the form of a risk pool and reinsurance mechanism and facilitate the guaranteed issue of standardized state-approved health benefit plans. Both the Pool and the Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. Due to the level of authorized oversight by the Department of Insurance, the State has the ability to impose its will on these programs. The Pool is partially funded through state premium tax revenue creating a financial burden for the State. The assets of the Pool and the Program are restricted for specific purposes and are not subject to appropriation by the Idaho Legislature for other uses.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority
755 West Front Street, Suite 200
Boise, ID 83702

Idaho Housing and Finance Association
565 West Myrtle
P.O. Box 7899
Boise, ID 83707-1899

Boise State University Foundation, Inc.
2225 University Drive
Boise, ID 83706

Bronco Athletic Association
1910 University Drive
Boise, ID 83725-1020

Eastern Idaho Technical College Foundation, Inc.
1600 South 25th East
Idaho Falls, ID 83404

Idaho State University Foundation, Inc.
921 South 8th Avenue
Campus Box 8050
Pocatello, ID 83209

Lewis-Clark State College Foundation, Inc.
Lewis-Clark State College
Controller's Office
500 8th Avenue
Lewiston, ID 83501

University of Idaho Foundation, Inc.
1106 Blake Avenue
P.O. Box 443150
Moscow, ID 83844-3150

Idaho Petroleum Clean Water Trust Fund
1215 West State Street
P.O. Box 83720
Boise, ID 83720-0044

Idaho Bond Bank Authority
304 North 8th Street, Room 208
P.O. Box 83720
Boise, ID 83720-0091

Idaho Individual High Risk Reinsurance Pool
Idaho Small Employer Health Reinsurance Program
3449 Copper Point Drive
Meridian, ID 83642

Related Organizations

The *State Insurance Fund*, created by *Idaho Code*, Section 72-901, and the *Health Facilities Authority*, created by *Idaho Code*, Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The *Statement of Net Assets* and *Statement of Activities* report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Assets* presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when third parties, constitutional provisions, or enabling legislation impose constraints on net asset use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

The *Statement of Activities* demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The arithmetic difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

To better reflect the break-even emphasis of the internal service funds, the net income or loss from business conducted with primary government customers is eliminated. Eliminations are made to the operating expenses or revenues of the participating functions.

Fund Statements

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for administration, construction, and maintenance of the state highway and aviation systems.

The *Public School* and *Pooled Endowment* funds manage and invest the revenues generated from the sale or lease of lands granted from the federal government under the *Idaho Admission Act*.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to make improvements to irrigation, wastewater, and drinking water systems.

Additionally, the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for specific revenue sources that are restricted to expenditures for specified purposes.

The *capital projects fund* accounts for revenues designated to finance construction of transportation infrastructure.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Fiduciary Fund Types

Pension trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other employee benefits.

Investment trust funds account for external participants' investments with the State's Local Government Investment Pool and Diversified Bond Fund.

Agency funds account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies as well as employee payroll deductions.

The *private-purpose trust fund* accounts for resources legally held in trust by the Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to Idaho College Savings Program, P.O. Box 55253, Boston, MA 02205-5253.

Operating and Nonoperating Revenues and Expenses of Proprietary Funds

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions generally occur if they directly result from the provision of goods or services to customers, or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary (except agency) fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Agency funds report only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

Reimbursements are eliminated in the financial statements to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include payments for maintenance and construction projects, federal grant pass-throughs from one state agency to another, and the allocation of central human resource costs to all agencies.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The State has elected not to apply FASB pronouncements issued after November 30, 1989, for business-type activities.

Idaho State University (ISU) Foundation and Eastern Idaho Technical College (EITC) Foundation issue financial statements using FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* The financial statements of ISU Foundation and EITC Foundation have been reformatted to comply with GASB requirements. ISU Foundation and EITC Foundation note disclosures have not been reformatted to comply with GASB requirements; therefore they are not included in the note disclosures.

D. Assets and Liabilities

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money markets; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the purchase date.

Pooled Cash and Investments

Cash balances of most funds are deposited with the State Treasurer's Office (STO). Balances not required to meet immediate needs are pooled in an internal investment pool. *Idaho Code*, Sections 67-2725 through 67-2749 and Sections 67-1210 and 67-1210A, govern STO deposit and investment policies for the pooled balances. See Note 2 for more information.

Investments

The STO manages investments of state funds and funds of other qualified entities within the State in accordance with *Idaho Code*, Sections 67-1210 and 67-1210A. See Note 2 for more information.

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency funds. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost.

The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the endowment funds are permitted to make investments in accordance with the *Idaho Uniform Prudent Investor Act*, Sections 68-501 through 68-514, of the *Idaho Code*.

Securities Lending Collateral

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Notes 2 and 3 for more information.

Receivables, Net

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of health and transportation federal grants and fuel taxes. Proprietary fund receivables consist mainly of loans, unemployment assessments, student tuition and fees, federal grants, and assets held in trust. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements. See Note 5 for more information.

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivable and payable balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Prepaid expenses are accounted for using the consumption method.

Other Assets

Other assets include interest receivable and other miscellaneous items.

Restricted Assets

Assets are reported as restricted when restrictions on asset use are imposed by law or external parties, and the constraints change the nature or normal understanding of the availability of the asset.

Capital Assets, Net

Capital assets include land, buildings and improvements, construction in progress, historical art and collections, improvements other than buildings, machinery and equipment, all infrastructure regardless of acquisition date, and other capital assets. Assets with a cost of $5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's functionality or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for enterprise funds.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Donated capital assets are recorded at estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is valued at one dollar per acre.

Capital assets are depreciated or amortized with the exception of roads, rights-of-way, land, construction in progress, historical art and collections, and certain intangible assets. For all depreciable major asset classes, depreciation and amortization are calculated on a straight-line basis over their estimated useful lives, as follows:

Assets	Years
Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and rights-of-way are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The Idaho Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections are not capitalized unless those collections were already capitalized on

June 30, 1999. Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, state capitol related artifacts, furnishings, films, statues, and monuments. Historical art and collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for the collection. See Note 6 for more information.

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments and construction expenses. Payables in the special revenue funds relate primarily to public assistance (the largest being Medicaid) and fuel taxes to be distributed to local governments. Proprietary fund payables consist mostly of payroll liabilities, vendor obligations, and liquor sales distributions to local governments. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho. Payables in agency funds relate to amounts held in a custodial capacity. All fund types have generic vendor payables.

Unearned/Deferred Revenue

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

Amounts Held in Trust for Others

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally the owner may default on the conditions. At that time the asset held in trust becomes the property of the State, and revenue is recorded.

Obligations Under Securities Lending

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Notes 2 and 3 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of interest payable and other miscellaneous liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities include the following:

Bonds and Notes Payable consists of bonds and notes issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 for more information.

Capital Leases Payable consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State. See Note 10 for more information.

Claims and Judgments are payables on behalf of the State and its agencies for various legal proceedings and claims. See Note 12 for more information.

Compensated Absences Payable includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance. See Note 12 for more information.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated. See Notes 9 and 12 for more information.

Other Long-Term Liabilities consists of a net pension obligation, net other postemployment benefits obligation, and an arbitrage liability. See Notes 7, 8, and 12 for more information.

E. Equity

Equity represents the difference between assets and liabilities. The governmental fund equity is called fund balance; the government-wide, proprietary, and fiduciary fund equity are called net assets. Reserved fund balance and restricted net assets identify equity that is not available for appropriation for expenditures or is legally segregated for a specific future use.

F. Newly Issued Accounting Pronouncements

In November 2006 the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement establishes requirements for accounting and reporting obligations to address the current or potential detrimental effects of existing pollution. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2009.

In June 2007 the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement defines an intangible asset's required characteristics and generally requires that they be treated as capital assets. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

In November 2007 the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* This Statement establishes requirements for endowments to report their land and other real estate investments at fair value and requires the changes in fair value be reported as investment income. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2009.

In June 2008 the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement establishes recognition, measurement, and disclosure requirements for derivative instruments. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions. Legal provisions regarding deposits are found throughout *Idaho Code*, Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all moneys except for the following: the Idaho Bond Bank Authority, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the college and university foundations, the Idaho State Building Authority, some of the endowment fund accounts, the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the colleges and universities accounts, and some of the Public Employee Retirement System of Idaho accounts. In accordance with *Idaho Code*, Sections 67-1210 and 67-1210A, the STO invests the pooled cash not needed to meet immediate obligations in various types of investments. The pool balances are available on demand to the participants. Interest received on the pooled cash and investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds. At June 30, 2008, the weighted average maturity of the pooled cash and investments held by the STO was 217 days.

Custodial credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State does not have a formal policy to address custodial credit risk.

Custodial Credit Risk at June 30, 2008

(dollars in thousands)

	Governmental and Business-Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	$1,841,593	$22,819	$59,385
Uninsured and Uncollateralized Deposits	19,661	5,640	4,353
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	125,305		
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			11,289

B. Investments

General Investment Policies

The *Idaho Uniform Prudent Investor Act, Idaho Code,* Sections 68-501 through 68-514, stipulates the standard to be followed by state investment personnel. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with *Idaho Code*, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued as described in Note 1.

Types of Investments

Idaho Code, Section 67-1210, authorizes the STO and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971; obligations issued by the Federal National Mortgage Association and the Federal Home Loan Bank; and obligations issued or guaranteed by other agencies or instrumentalities of Idaho or of the United States, including the U.S. Small Business Administration guaranteed portion of any approved loan by an Idaho banking corporation and by the STO
- Obligations issued by public corporations of the State
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories, state and federal savings and loan associations, or state and federal credit unions located within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions
- Money market funds whose portfolios consist of investments specified in this section and are denominated in U.S. dollars

Idaho Code, Section 67-1210A, authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Bonds, notes, and debentures of any U.S. corporation with at least an A rating by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

The Endowment Fund Investment Board (EFIB) manages investments of Idaho's two permanent funds, the Public School Endowment fund and the Pooled Endowment fund. *Idaho Code*, Section 57-720, gives the EFIB the authority to formulate investment policies of the permanent endowment funds and earnings reserve funds. *Idaho Code*, Section 57-723, stipulates that the EFIB and its investment managers are governed by the *Idaho Uniform Prudent Investor Act* and the *Idaho Constitution*. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Domestic equities and high-yield bonds
- International equities
- Collateralized mortgage obligations
- Fixed-income securities with a minimum Baa rating by Moody's or equivalent rating, Yankee bonds with a minimum A rating, equity-linked debt with a minimum rating of A, pass-through mortgage-backed securities with a minimum Aaa or equivalent rating
- Derivative instruments, specifically, covered call options
- Forward foreign currency contracts
- Forward and futures contracts to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed upon price

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established a Statement of Investment Policy in accordance with *Idaho Code,* Sections 59-1301 through 59-1399. In addition to

the investments mentioned above for the STO and the EFIB, the following types of investments are approved for PERSI funds:

- Derivative instruments, specifically, futures, options, swaps, repurchase agreements, and forward foreign currency contracts by a few selected managers
- Private equity real estate investments in open-end and closed-end commingled real estate funds, direct real estate, publicly traded real estate investment trusts and other public real estate companies, private real estate companies, and real estate operating venture entities
- Alternative investments upon the recommendation of a qualified consultant after due diligence and with approval by the Board or subcommittee appointed by the Board

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the value of investments or collateral securities that are in the possession of an outside party will not be recovered. The following describes the policies and risks for those state entities that are exposed to custodial credit risk:

At June 30, 2008, the Judges' Retirement fund held $14.7 million of federal agency securities, $0.6 million of foreign agency securities, $4.6 million of corporate bonds, and $39.0 million of equity securities held by the broker-dealer, not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.

The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments be registered in the name of the PERSI and be delivered to a third party custodian. Short-term investments are created through daily sweeps of excess cash. At June 30, 2008, the PERSI had various short-term investments of $40.7 million held by various counterparties, not in the PERSI's name.

The Bronco Athletic Association (BAA) does not have a formal policy that would limit exposure to custodial credit risk. At June 30, 2008, the BAA held $0.1 million of certificates of deposit that were uninsured and uncollateralized.

The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. At June 30, 2008, the Foundation held $1.7 million of U.S. Treasury bonds, $6.3 million of corporate bonds, $16.6 million of bond mutual funds, $45.3 million of equity mutual funds, and $0.4 million of private equity funds that were uninsured and held in the name of the broker.

Interest Rate Risk of Debt Securities

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. All investment managers are governed by the *Idaho Uniform Prudent Investor Act* as detailed in *Idaho Code*, Sections 68-501 through 68-514. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Lehman Aggregate Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities at June 30, 2008.
- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI fixed-income portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the primary government interest rate risk quantifies the interest rate risk of the PERSI fixed-income assets. Some of the large durations are due to the use of options and forward foreign currency contracts.
- The Idaho Housing and Finance Association has adopted bond indentures, bond resolutions, and trust resolutions that provide investment maturities be based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers. The Association's investment maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2008.

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2008
(Except Endowment Funds, PERSI, and Idaho College Savings Program)
(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	Total Fair Value
Debt Securities:						
Money Market Funds	$988,462					$988,462
Certificates of Deposit	94,800	$75				94,875
Repurchase Agreements	40,016					40,016
Commercial Paper	126,980	552	$570			128,102
U.S. Government Obligations	228,431	31,959	20,855			281,245
U.S. Gov't Agency Obligations	1,839,404	42,134	71,997	$62,678		2,016,213
U.S. Gov't Agency Mortgage-Backed Securities*	12,996	122,070	150,286			285,352
U.S. Gov't Corporation Mortgage-Backed Securities*	2,840	18,713				21,553
Asset-Backed Securities*		6,138	4,379			10,517
Commercial Mortgages*		204	16,332			16,536
Corporate Obligations	55,330	48,589	16,671	1,456		122,046
Municipal and Public Entity Obligations	20,190	20	42			20,252
Bond Mutual Funds and Other Pooled Fixed-Income Securities	521	402	13,536			14,459
Foreign Agency Obligations		240	338			578
Idaho Small Business Loans	23	1,070	480	203	$152	1,928
External Investment Pools	51,800					51,800
Total Debt Securities	3,461,793	272,166	295,486	64,337	152	4,093,934
Reinvestment of Securities Lending Collateral:						
Money Market Funds	999					999
Repurchase Agreements	450,478					450,478
Asset-Backed Securities*	9,892	74,310				84,202
Corporate Obligations	211,419	290,866				502,285
Total Debt Securities and Reinvestment of Securities Lending Collateral	**$4,134,581**	**$637,342**	**$295,486**	**$64,337**	**$152**	5,131,898
Other Investments:						
Mutual Funds						34,936
Preferred Stock						17,740
Domestic Equity Securities						34,085
Foreign Equity Securities						5,394
Total						**$5,224,053**

*Mortgage-backed and asset-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

Endowment Funds Interest Rate Risk at June 30, 2008
(dollars in thousands)

Investment Type	Fair Value	Modified Duration In Years
Debt Securities:		
Lehman Aggregate Bond	$314,338	4.7
U.S. Treasury Inflation-Protected Securities	36,326	7
Total Endowment Fund Debt Securities	350,664	
Other Investments:		
Equity Investments	759,462	
Money Market Funds	8,156	
Securities Lending Collateral	146,844	
Total Other Endowment Fund Investments	914,462	
Total Endowment Fund Investments	**$1,265,126**	

PERSI Investments at June 30, 2008
(dollars in thousands)

Investment Type	Fair Value
Domestic Fixed-Income	$2,900,042
Commingled Domestic Fixed-Income	63,289
Short-Term Domestic Investments	704,431
Idaho Commercial Mortgages	330,441
International Fixed-Income	58,082
Domestic Equities	3,446,788
Domestic Equities - Convertibles	12,994
International Equities	2,373,750
Short-Term Investments - Choice Plan	960
Real Estate	466,672
Private Equity	716,784
Mutual Funds	308,348
Co-mingled Domestic Equity - Domestic	112,484
Co-mingled Domestic Equity - International	32,061
Total Fair Value of PERSI Investments	**$11,527,126**

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2008
(dollars in thousands)

	Domestic Securities		International Securities		
Investment Type	**Fair Value**	**Effective Duration in Years**	**Fair Value**	**Effective Duration in Years**	**Total Fair Value**
Asset-Backed Securities	$14,589	0.86	$394	5.18	$14,983
Asset-Backed Securities			67	*	67
Mortgages	58,999	2.88			58,999
Mortgages	2,014	*			2,014
Commercial Paper	556,878	0.09			556,878
Corporate Bonds	572,983	6.13	79	1.58	573,062
Corporate Bonds	497	*	349	*	846
Fixed-Income Derivatives	(229)	114.19			(229)
Fixed-Income Derivatives	(70)	*			(70)
Government Agencies	347,013	3.91	18,828	1.68	365,841
Government Agencies			28	*	28
Government Bonds	352,170	5.97	38,338	6.04	390,508
Government Mortgage-Backed Securities	448,919	3.19			448,919
Government Mortgage-Backed Securities	5,028	*			5,028
Pooled Investments	47,106	0.08			47,106
Pooled Investments	63,289	*			63,289
Preferred Stock	235	1.58			235
Preferred Stock	12,067	*			12,067
Private Placements	67,358	4.35			67,358
Private Placements	87,570	*			87,570
U.S. Treasury Inflation-Protected Securities	1,003,633	9.57			1,003,633
Idaho Mortgages	330,441	*			330,441
Total PERSI Fixed Income Securities	**$3,970,490**		**$58,083**		**$4,028,573**

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2008
(dollars in thousands)

Investment Type	**Fair Value**	**Average Maturity In Years**
Money Market Fund	$9,784	Less than 1
Bond Fund	46,802	7.5
Inflation-Linked Bond Fund	6,645	9
Equity Funds	50,865	
International Equity Funds	12,944	
TIAA-CREF	11,337	
Total Idaho College Savings Program Investments	**$138,377**	

Component Units Maturity of Debt Investments at June 30, 2008

(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	Total Fair Value
Debt Securities								
Money Market Funds	$219,705							$219,705
U.S. Government Obligations	9,653	$14,819	$2,449	$3,203	$9,933			40,057
U.S. Gov't Agency Obligations	7,021	30,981	10,321	29,164	2,396	$24,431	$51,862	156,176
Corporate Obligations	10,893	17,999	16,818	16,139				61,849
Municipal Obligations	40	695	421	352				1,508
Bond Mutual Funds			16,571	38				16,609
Total Debt Securities	**$247,312**	**$64,494**	**$46,580**	**$48,896**	**$12,329**	**$24,431**	**$51,862**	495,904
Other Investments								
Cash Equivalents included with Investments								2,024
Domestic Equities								109,500
Foreign Equities								623
Private Equities								1,248
Investment Agreements								370,810
Corporate Obligations Without Maturity Dates								5,114
Equity and Income Mutual Funds								46,661
International Equity Funds								5,218
Private Equity Funds								390
Real Estate and Perpetual Trusts								13,181
Insurance Annuities								309
Hedge Funds								7,109
Component Units Investments								**$1,058,091**

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. The State does not have a formal policy to address credit risk of debt securities. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The State Board of Education policy allows colleges and universities to invest in corporate bonds and mortgage-backed securities of Aa grade or better and commercial paper of prime or equivalent grade without prior Board approval.
- The EFIB investment policy states that fixed-income securities must be rated Baa or better, commercial paper must be rated A1 (or the equivalent) or better, and money market funds shall contain securities with an absolute minimum of investment grade by Standard & Poor's or Moody's.
- The PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the PERSI policy these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- The Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those allowed by *Idaho Code*, Section 67-6215B, or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing Investment Trust and the Bond Rating Compliance and Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.

Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2008
(Except Endowment Funds and PERSI)
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	C	A1-P1	Unrated
Money Market Funds*	$1,106,127	$1,052,548						$53,579
Certificates of Deposit	94,875			$2,500				92,375
Repurchase Agreements	40,016		$33,522					6,494
Commercial Paper	128,102	100	877	345			$126,780	
U.S. Gov't Agency Obligations	2,015,335	1,186,261	209				801,473	27,392
U.S. Gov't Agency Mortgage-Backed Securities	285,353	284,230						1,123
Asset-Backed Securities	41,647	37,990	3,657					
Commercial Mortgages	16,536	16,536						
Corporate Obligations	140,159	40,949	27,517	40,850	$30,843			
Municipal and Public Entity Obligations	20,252	62						20,190
Bond Mutual Funds and Other Pooled Fixed-Income Securities	67,906		923					66,983
Foreign Agency Obligations	556	301		172	83			
External Investment Pools	51,800	51,800						
Total Before Securities Lending	4,008,664	2,670,777	66,705	43,867	30,926	0	928,253	268,136
Reinvestment of Securities Lending Collateral:								
Money Market Funds	999	999						
Repurchase Agreements	450,478							450,478
Asset-Backed Securities	53,072	46,837		6,235				
Corporate Obligations	502,285	96,412	241,121	65,611	19,510	$79,631		
Total	**$5,015,498**	**$2,815,025**	**$307,826**	**$115,713**	**$50,436**	**$79,631**	**$928,253**	**$718,614**

*Includes $107.8 million of money market funds that are reported with cash and cash equivalents.

Endowment Funds
Credit Quality Ratings of Debt Investments at June 30, 2008
(dollars in thousands)

Investment Type	Fair Value	S & P Rating
Lehman Aggregate Bond	$314,338	AAA
Northern Money Market Fund	8,156	A
Total	**$322,494**	

PERSI Credit Quality of Fixed-Income Securities at June 30, 2008

(dollars in thousands)

		Investment Type	
S & P Rating Level	**Fair Value**	**Domestic Securities**	**International Securities**
Agency (A-1+)	$800,850	$800,850	
AAA	160,133	134,493	$25,640
AA	132,663	132,663	
A	646,982	627,379	19,603
BBB	160,803	160,284	519
BB	18,959	18,916	43
B	36,617	36,528	89
CCC	8,082	8,082	
CC	488	488	
C	6,916	6,916	
D	284	284	
Not Rated	230,010	217,821	12,189
Total	**$2,202,787**	**$2,144,704**	**$58,083**

Component Units Credit Quality Ratings of Debt Securities at June 30, 2008

(dollars in thousands)

Investment Type	**Fair Value**	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**	**Ccc**	**Unrated**
Money Market Funds	$219,705	$515							$219,190
U.S. Government Agency Obligations	156,176	151,171	$278						4,727
Corporate Obligations	61,849	11,690	17,981	$14,376	$6,720	$2,175	$5,873	$1,445	1,589
Municipal Obligations	1,508	182	391	777		38			120
Bond Mutual Funds	16,609	8,336	8,256	6		2	9		
Total	**$455,847**	**$171,894**	**$26,906**	**$15,159**	**$6,720**	**$2,215**	**$5,882**	**$1,445**	**$225,626**

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principle that governments should provide note disclosure when 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, the Idle Pool, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.
- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.
- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

Primary Government Concentration of Credit Risk at June 30, 2008

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Potato Commission:	Federal Home Loan Mortgage Corporation	$837	68.4
	Federal National Mortgage Association	386	31.6
Idle Pool:	Federal National Mortgage Association	377,396	17.8
	Federal Home Loan Bank	335,975	15.9
	Federal Home Loan Mortgage Corporation	282,599	13.4
Boise State University:	AEGON USA Investment Management, LLC	33,522	33.1
	Federal National Mortgage Association	8,112	8.0
University of Idaho:	Federal National Mortgage Association	17,184	16.0
	Federal Home Loan Mortgage Corporation	12,351	11.5

Component Unit Concentration of Credit Risk at June 30, 2008

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:	MBIA Insurance Corporation	$170,090	23.6
	Citigroup Financial Group	105,135	14.6
	Pallas Capital Corporation	76,708	10.7
	Federal Farm Credit Bank	55,588	7.7
Health Reinsurance:	Federal Home Loan Bank	16,596	87.4
	Federal National Mortgage Association	1,700	8.9

Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 20 percent of the EFIB total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The Judges' Retirement fund investment policy permits investing up to 20 percent of the fund's total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.
- The Lewis-Clark State College Foundation investment policy permits investments in equities denominated in foreign currencies. The policy limits the investments in international equities to no more than 15 percent of the Foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

Endowment Funds Foreign Currency Risk at June 30, 2008

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Common Stock	$5,894
Canadian Dollar	Common Stock	1,655
Danish Krone	Common Stock	6,588
Euro	Common Stock	49,760
Japanese Yen	Common Stock	38,893
Norwegian Krone	Common Stock	7,344
Singapore Dollar	Common Stock	2,739
South African Rand	Common Stock	1,478
Swiss Franc	Common Stock	10,974
U.K. Pound	Common Stock	13,930
Total		**$139,255**

Judges' Retirement Fund Foreign Currency Risk at June 30, 2008

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	$338
Canadian Dollar	Equities	102
Euro	Equities	1,723
Japanese Yen	Equities	2,655
South African Rand	Equities	150
U.K. Pound	Equities	330
Total		**$5,298**

PERSI Foreign Currency Risk at June 30, 2008
(stated at fair value of U.S. dollars in thousands)

	Investment Type			Fair Value
Currency	**Short-Term Investments**	**Equities**	**Fixed Income**	**of Currency in U.S. Dollars**
Australian Dollar	($22,290)	$84,759	$18,628	$81,097
Brazilian Real	1,485	86,926	1,727	90,138
British Pound Sterling	(21,155)	335,210	9,496	323,551
Canadian Dollar	(3,201)	59,528	625	56,952
Chilean Peso		3,431		3,431
Czech Koruna	13			13
Danish Krone	69	6,678		6,747
Egyptian Pound	941	12,623		13,564
Euro	(52,101)	679,696	7,467	635,062
Hong Kong Dollar	839	136,945		137,784
Hungarian Forint	54	6,492		6,546
Indonesian Rupian		38,592		38,592
Israeli Shekel	112	18,665		18,777
Japanese Yen	(38,209)	408,581		370,372
Kenyan Shilling		347		347
Malaysian Ringgit	1,183	10,141	728	12,052
Mexican New Peso	(3,867)	27,568	11,923	35,624
New Taiwan Dollar	988	68,178		69,166
New Turkish Lira	64	22,124		22,188
New Zealand Dollar	11	2,984		2,995
Norwegian Krone	351	19,733		20,084
Philippines Peso	73	3,819		3,892
Polish Zloty	(8,008)	3,468	8,416	3,876
Russian Ruble			365	365
South African Rand	47	81,978		82,025
Singapore Dollar	13,076	36,004		49,080
South Korean Won	62	133,593		133,655
Sri Lanka Rupee		761		761
Swedish Krona	208	30,616		30,824
Swiss Franc	(3,037)	93,153		90,116
Thailand Baht	15	38,522		38,537
Zimbabwe Dollar	18	331		349
Total	**($132,259)**	**$2,451,446**	**$59,375**	**$2,378,562**

College and University Foundation Foreign Currency Risk at June 30, 2008
(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	$2,723
Brazilian Real	Equities	16
Canadian Dollar	Equities	193
Chinese Yuan	Equities	23
Danish Krone	Equities	37
Euro	Equities	3,301
Hong Kong Dollar	Equities	3,904
Israeli Shekel	Equities	26
Japanese Yen	Equities	4,449
Mexican Peso	Equities	24
New Zealand Dollar	Equities	438
Norwegian Krone	Equities	42
Russian Ruble	Equities	26
Sinagapore Dollar	Equities	1,329
South Korean Won	Equities	11
Swedish Krona	Equities	576
Swiss Franc	Equities	1,192
Turkish Lira	Equities	10
U.K. Pound	Equities	10,342
Total		**$28,662**

Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

Mortgage-Backed Securities have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by the EFIB and the PERSI.

Treasury Inflation Protected Securities (TIPS) are fixed-income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2008, the Endowment Funds had investments in TIPS with a fair value of $36.3 million, and the PERSI had investments in TIPS with a fair value of $1.0 billion.

At June 30, 2008, the STO pool portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- One corporate obligation valued at $5.0 million with a floating rate coupon that resets every quarter to the three-month LIBOR plus 10 basis points
- One U.S. agency obligation valued at $25.0 million with a floating rate note that resets every quarter to the three-month LIBOR minus 20.5 basis points
- One U.S. agency obligation valued at $25.0 million with a call option

At June 30, 2008, the Local Government Investment Pool and Diversified Bond Fund had debt investments with terms that may cause the fair value to be sensitive to interest rate changes. See Note 3, External Investment Pools, for details.

The Idaho Housing and Finance Association has five U.S. agency obligations with an aggregate value of $8.6 million with call options.

Securities Lending Agreements

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. *Idaho Code*, Section 67-1210A, authorizes the STO to engage in securities lending agreements. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The investments are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet

margin requirements. The cash collateral received is held in a separate account in the name of the STO. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the STO pool portfolio had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities loans upon demand. Generally the average term of these loans is under 10 days. The cash collateral received is invested by the agent in marketable securities of varying terms with maturities ranging between 1 day and 3 years. As of June 30, 2008, more than 40 percent of the portfolio was invested in instruments with a one-day maturity and the weighted average maturity of the cash collateral portfolio was 211 days.

Primary Government and Fiduciary Funds
Balances of Securities Lending Transactions at June 30, 2008
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
U.S. Treasury Obligations	$72,249	$74,404
U.S. Government Agency Obligations	808,499	829,155
Mortgage-Backed Securities	165,931	168,806
Corporate Debt Instruments	4,591	4,713
Total	**$1,051,270**	**$1,077,078**

The STO pool portfolio and internal participants' portions of the LGIP reinvestment of securities lending balances are reported in the General Fund. The reinvestment of securities lending balances attributable to the LGIP and the DBF external participants are reported in the investment trust funds. These amounts do not include the EFIB securities lending balances.

The EFIB engages in securities lending agreements. The EFIB custodian, Northern Trust Company, lends securities for collateral in the form of cash, irrevocable letters of credit or securities worth at least 102 percent of the lent securities' fair value, (105 percent for international securities). At year-end the EFIB had no credit risk exposure to borrowers because the collateral exceeded the amounts borrowed. The securities loans can be terminated on demand by either the EFIB or the borrower. The EFIB is indemnified if the borrowers fail to return the securities or fail to pay the EFIB for income distributions by the securities issuers while the securities are on loan. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted average maturity of 42 days. The maturities of loans are affected by the securities loans made by other entities that use the agent's pool. The EFIB cannot pledge or sell collateral securities unless the borrower defaults.

Derivatives

Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Derivatives are designed, among other things, to help investors protect themselves against the risk of price changes.

The Idaho State Building Authority established a forward interest rate swap contract with Lehman Brothers Financial Products, Inc. on the 1998 Prison Project (1998 Series A Bonds). This forward interest rate contract can be terminated by the Authority at any time from origination on September 19, 2003, to the expiration date of September 1, 2025. The Authority executed this forward interest rate swap contract for a specified proposed refunding of the 1998A bonds. The Authority intended to terminate the swap contract prior to the implementation date if the termination payment to be received by the Authority equaled or exceeded two times the present value savings for the bonds for which the swap contract was executed. The contract was implemented as of June 3, 2008. The contract is in a liability position of $4.5 million at June 30, 2008. The position is determined by the difference between a fixed 4.3 percent and 67 percent of the 1-month LIBOR rate. The swap agreement is characterized as a derivative and is carried on the Statement of Net Assets as Other Accrued Liabilities at fair value.

The EFIB periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date. The EFIB's use of these securities is limited to small positions in the EFIB

international and domestic equity portfolios established primarily for hedging or passive rebalancing. At June 30, 2008, the EFIB held 76 S&P 500 contracts with a fair value of $24.3 million. The mark-to-market receivable as of that date was $37,308, which was received on July 1, 2008.

The PERSI permits a few selected managers to use derivatives. In every case, the type of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis. At June 30, 2008, the PERSI reported the following derivative and hedging activity:

- Futures contracts with a fair value of $35,620, which is included in Fixed-Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed. The PERSI had the following net futures contracts exposure:
  (a) Cash and cash equivalents (Euro) of $86.4 million
  (b) Cash and cash equivalents (Sterling) of $21.7 million
  (c) U.S. Treasury bond futures of $16.0 million
  (d) U.S. Treasury note futures of $36.3 million
- Option contracts give the PERSI the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by the PERSI are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2008, the PERSI had option contracts payable with a fair value of $342,900, which is included in the liabilities as Investments Purchased. At June 30, 2008, the PERSI had the following option contracts exposure:
  (a) Cash and cash equivalents written put options of $79,775
  (b) Fixed-income written call options of $230,922
  (c) Fixed-income written put options of $32,203
- The PERSI has entered into forward foreign currency exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of the PERSI's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. The PERSI and the investment managers have established controls to monitor the creditworthiness of the counterparties. As of June 30, 2008, the PERSI had entered into forward currency contracts to sell foreign currencies with a fair value of $933.8 million and had entered into forward currency contracts to buy foreign currencies with a fair value of $936.4 million. Forward currency contracts are receivables or liabilities reported as Investments Sold or Investments Purchased.

The Idaho Housing and Finance Association established interest swap contracts with Lehman Brothers Derivative Products, Inc. on several single-family mortgage bond issues. The Association also issued variable rate debt in connection with the same bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed-rate debt obligation. The swap agreements are carried on the Statement of Net Assets in Other Accrued Liabilities at fair value, with changes in the value recognized in earnings of the current period. The impact on Other Accrued Liabilities as of June 30, 2008, was an aggregate amount of $45.2 million.

NOTE 3. EXTERNAL INVESTMENT POOLS

A. Overview of the External Investment Pools

According to *Idaho Code*, Section 67-2328, the State Treasurer is authorized to combine the power, privilege, and moneys of public agencies jointly in external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit moneys not immediately needed to meet operating obligations in these pools. The LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to $10.0 million. Withdrawals of more than $10.0 million require 3 business days' notification. The weighted average maturity of investments in the LGIP at June 30, 2008, was 67 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of $10.0 million or less generally require five business days' notification prior to the last day of the month. Withdrawals of more than $10.0 million require 25 business days' notification prior to the last day of the month. All withdrawals from the DBF occur on the last day of the month. The weighted average maturity of investments in the DBF at June 30, 2008, was 4.6 years.

The DBF distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool.

The STO must operate and invest the funds of both pools for the benefit of the participants. The STO makes investments in accordance with *Idaho Code*, Sections 67-1210 and 67-1210A. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. Both pools are rated 'AAA' by Standard & Poor's Ratings Services. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and the DBF are reported as fiduciary-type investment trust funds. The Pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that only the external portion of investment pool assets be reported in the investment trust funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2008. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase or decrease in fair value of each pool.

The LGIP and the DBF engage in securities lending transactions. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The securities are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed and no custodial credit risk existed because the securities were held by the State's agent in the STO's name. No restrictions exist on the amount of loans that can be made. Substantially all securities loans can be terminated on demand either by the State or by the borrower. Generally the average term of these loans is under 10 days. The cash collateral received is invested by the agent in marketable securities with maturities ranging between 1 day and 3 years. As of June 30, 2008, more than 46 percent of the LGIP cash collateral was invested in instruments with a one-day maturity and the weighted average maturity of all collateral investments was 260 days; more than 40 percent of the DBF cash collateral was invested in instruments with a one-day maturity and the weighted average maturity of all cash collateral investments was 211 days.

The Pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

Interest rate risk occurs when investments are fixed for longer periods. The Pools do not have a formally adopted policy to address interest rate risk.

Concentration of credit risk results when investments are concentrated in one issuer and represents heightened risk of potential loss. No specific percentage identifies when concentration of credit risk is present. The GASB has adopted a principle that when governments invest discretely on behalf of their various funds, such as the LGIP or the DBF, they should disclose the amount and percentage when 5 percent of the total fund investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Pools do not have a formally adopted policy to address the amount that may be invested with any one issuer.

Credit risk associated with investments is the risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The Pools do not have a formally adopted policy to address credit risk associated with investments.

Debt investments with terms that may cause the fair value to be highly sensitive to interest rate changes are likely to experience greater variability in their fair values due to the embedded terms. The Pools do not have a formally adopted policy to address terms that may cause the fair value of investments to be highly sensitive to interest rate risks.

B. Local Government Investment Pool

Local Government Investment Pool
Condensed Statement of Net Assets
June 30, 2008
(amounts in thousands)

Assets	
Investments, at Fair Value	$1,590,278
Interest Receivable to the Pool	7,150
Reinvestment of Securities Lending Collateral	395,548
Securities Lending Income Receivable	1,091
Total Assets	1,994,067
Liabilities	
Distributions Payable	3,615
Administrative Fees Payable	50
Obligations Under Securities Lending	395,548
Securities Lending Agent Fees Payable	1
Securities Lending Borrower Rebates Payable	1,088
Total Liabilities	400,302
Net Assets Held in Trust for Pool Participants	**$1,593,765**
Net Assets Consist of:	
Net Assets Held in Trust for External Participants ($1.00 par)	$1,543,613
Net Assets Held in Trust for Internal Participants ($1.00 par)	50,152
Net Assets Held in Trust for Pool Participants	**$1,593,765**
Total Participant Units Outstanding ($1.00 par)	1,586,092
Participant Net Asset Value, Offering Price and Redemption Price Per Share ($1,593,765 divided by 1,586,092 units)	**$1.00**

Local Government Investment Pool
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

Investment Income		
Interest Income		$53,744
Securities Lending Income		21,865
Change in Fair Value of Investments		14,066
Total Investment Income		89,675
Expense		
Administrative Fees		(413)
Securities Lending Agent Fees		(88)
Securities Lending Borrower Rebates		(21,383)
Total Investment Expense		(21,884)
Net Investment Income		67,791
Distributions to Participants		
Distributions Paid and Payable		(61,654)
Share Transactions at Net Asset Value of $1.00 per Share		
Pooled Participant Deposits	$2,927,314	
Pooled Participant Withdrawals	(2,557,403)	
Change in Net Assets and Shares Resulting From Share Transactions		369,911
Total Change in Net Assets		376,048
Net Assets Held in Trust for Pool Participants		
Beginning of Period		1,217,717
End of Period		**$1,593,765**

Local Government Investment Pool
Summary of Fair Value and Interest Rate Risk at June 30, 2008
(dollars in thousands)

			Investment Maturities In Years	
Investment Type	**Fair Value**	**Interest Rates**	**Less than 1**	**1-5**
Money Market Mutual Funds	$609,826	2.365%-2.860%	$609,826	
Repurchase Agreement	6,705	1.980%	6,705	
Commercial Paper	79,362	2.200%-2.565%	79,362	
Corporate Debt Instruments	42,029	2.503%-6.000%	33,167	$8,862
U.S. Government Agency Obligations	852,356	2.060%-5.300%	839,753	12,603
Total Securities	1,590,278		1,568,813	21,465
Accrued Interest	7,150		7,150	
Reinvestment of Securities Lending Collateral:				
Repurchase Agreements	191,550	2.600%-2.750%	191,550	
Corporate Debt Instruments	161,897	0.000%-2.800%	29,477	132,420
Asset-Backed Securities*	42,101	2.110%-2.623%	4,946	37,155
Securities Lending Income Receivable	1,091		1,091	
Total Assets	**$1,994,067**		**$1,803,027**	**$191,040**

*These securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

Local Government Investment Pool
Change in Fair Value For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

Fair Value of Investments at June 30, 2008	$1,597,428
Add: Proceeds of Investments Sold in FY2008	11,264,538
Subtract: Cost of Investments Purchased in FY2008	(11,624,866)
Subtract: Fair Value at June 30, 2007	(1,223,034)
Change in Fair Value of Investments During FY2008	**$14,066**

Local Government Investment Pool
Concentration of Credit Risk at June 30, 2008
(dollars in thousands)

Issuer	Fair Value	Percent of Total LGIP Investments
Federal Agricultural Mortgage Corporation	$142,040	7.15
Federal Home Loan Bank	300,998	15.16
Federal Home Loan Mortgage Corporation	237,835	11.98
Federal National Mortgage Association	171,484	8.64

Local Government Investment Pool
Credit Quality Ratings of Debt Securities at June 30, 2008
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	C	A-1	Unrated
Money Market Mutual Funds	$609,826	$582,303						$27,523
Repurchase Agreement	6,705							6,705
Commercial Paper	79,362						$79,362	
Corporate Debt Instruments	42,029	799	$10,156	$5,531	$25,543			
U.S. Government Agency Obligations	852,356	745,360					106,996	
Reinvestment of Securities Lending Collateral:								
Repurchase Agreements	191,550							191,550
Corporate Debt Instruments	161,897	21,399	68,346	31,087	9,755	$31,310		
Asset-Backed Securities	42,101	37,155		4,946				
Total Rated Investments	**$1,985,826**	**$1,387,016**	**$78,502**	**$41,564**	**$35,298**	**$31,310**	**$186,358**	**$225,778**

Moody's or equivalent credit quality ratings have been used, except for commercial paper, which was rated A-1 by Standard & Poor's.

Local Government Investment Pool
Balances of Securities Lending Transactions at June 30, 2008
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	$154	$161
U.S. Government Agency Obligations	402,267	412,493
Totals	**$402,421**	**$412,654**

At June 30, 2008, the LGIP portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- One corporate instrument valued at $24.5 million with a floating rate coupon that resets monthly to a calculation based on the current and prior 12 month's Consumer Price Index plus 120 basis points; the floor is zero percent
- One U.S. government agency obligation valued at $25.0 million with a coupon that resets quarterly to the three-month LIBOR rate minus 20.5 basis points; there is no floor on the coupon
- Two U.S. government agency obligations with an aggregate value of $37.6 million with call options
- One corporate instrument valued at $3.9 million with a coupon that resets quarterly to the three-month LIBOR rate plus 8 basis points; there is no floor on the coupon
- One corporate instrument valued at $4.9 million with a coupon that resets quarterly to the three-month LIBOR rate plus 20 basis points; there is no floor on the coupon
- One corporate instrument valued at $0.7 million with a coupon that resets monthly to the one-month LIBOR rate plus 2 basis points; there is no floor on the coupon
- One corporate instrument valued at $0.8 million with a coupon that resets quarterly to the three-month LIBOR rate plus 4 basis points; there is no floor on the coupon
- One corporate instrument valued at $0.6 million with a coupon that resets quarterly to the three-month LIBOR rate plus 15 basis points; there is no floor on the coupon
- One corporate instrument valued at $0.5 million with a coupon that resets quarterly to the three-month LIBOR rate plus 6 basis points; there is no floor on the coupon
- One corporate instrument valued at $0.5 million with a coupon that resets quarterly to the three-month LIBOR rate plus 7 basis points; there is no floor on the coupon

C. Diversified Bond Fund

Diversified Bond Fund
Condensed Statement of Net Assets
June 30, 2008
(amounts in thousands)

Assets	
Investments, at Fair Value	$390,103
Interest Receivable to the Pool	2,787
Reinvestment of Securities Lending Collateral	167,402
Securities Lending Income Receivable	338
Total Assets	560,630
Liabilities	
Distributions Payable	1,461
Administrative Fees Payable	9
Obligations Under Securities Lending	167,402
Securities Lending Agent Fees Payable	4
Securities Lending Borrower Rebates Payable	323
Total Liabilities	169,199
Net Assets Held in Trust for Pool Participants	**$391,431**
Net Assets Consist of:	
Net Assets Held in Trust for External Participants ($1.00 par)	$79,259
Net Assets Held in Trust for Internal Participants ($1.00 par)	312,172
Net Assets Held in Trust for Pool Participants	**$391,431**
Total Participant Units Outstanding ($1.00 par)	392,652
Participant Net Asset Value, Offering Price and Redemption Price Per Share ($391,431 divided by 392,652 units)	**$1.00**

Diversified Bond Fund
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

Investment Income		
Interest Income		$18,725
Securities Lending Income		8,520
Change in Fair Value of Investments		6,238
Total Investment Income		33,483
Expense		
Administrative Fees		(809)
Securities Lending Agent Fees		(90)
Securities Lending Borrower Rebates		(8,159)
Total Investment Expense		(9,058)
Net Investment Income		24,425
Distributions to Participants		
Distributions Paid and Payable		(17,170)
Share Transactions at Net Asset Value of $1.00 per Share		
Pooled Participant Deposits	$41,434	
Pooled Participant Withdrawals	(36,271)	
Change in Net Assets and Shares Resulting From Share Transactions		5,163
Total Change in Net Assets		12,418
Net Assets Held in Trust for Pool Participants		
Beginning of Period		379,013
End of Period		**$391,431**

Diversified Bond Fund
Summary of Fair Value and Interest Rate Risk at June 30, 2008
(dollars in thousands)

			Investment Maturities In Years		
Investment Type	**Fair Value**	**Interest Rates**	**Less than 1**	**1-5**	**6-10**
Money Market Mutual Fund	$15,262	2.690%	$15,262		
Corporate Debt Instruments	40,220	2.774%-6.375%	11,445	$19,307	$9,468
Asset-Backed Securities*	4,474	4.900%		4,474	
Mortgage-Backed Securities*	13,780	5.197%-6.590%		206	13,574
U.S. Gov't Agency Obligations	51,585	3.375%-6.000%		15,273	36,312
U.S. Gov't Agency Mortgage-Backed Securities*	206,614	3.500%-7.000%	8,088	91,595	106,931
U.S. Gov't Corporation Mortgage-Backed Securities*	10,111	5.250%-6.000%		10,111	
U.S. Treasury Obligations	48,057	3.250%-6.500%	17,447	20,696	9,914
Total Securities	390,103		52,242	161,662	176,199
Accrued Interest	2,787		422	1,255	1,110
Reinvestment of Securities Lending Collateral:					
Money Market Mutual Fund	260	2.806%	260		
Corporate Debt Instruments	88,699	0.000%-3.017%	47,411	41,288	
Asset-Backed Securities*	10,971	2.110%-2.623%	1,289	9,682	
Repurchase Agreements	67,472	2.600%-2.750%	67,472		
Securities Lending Income Receivable	338		338		
Total Assets	**$560,630**		**$169,434**	**$213,887**	**$177,309**

*These securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

Diversified Bond Fund
Change in Fair Value For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

Fair Value of Investments at June 30, 2008	$392,890
Add: Proceeds of Investments Sold in FY2008	285,838
Subtract: Cost of Investments Purchased in FY2008	(291,788)
Subtract: Fair Value at June 30, 2007	(380,702)
Change in Fair Value of Investments During FY2008	**$6,238**

Diversified Bond Fund
Concentration of Credit Risk at June 30, 2008
(dollars in thousands)

Issuer	Fair Value	Percent of Total DBF Investments
Federal Home Loan Mortgage Corporation	$89,148	15.99
Federal National Mortgage Association	146,599	26.30
Goldman Sachs	37,987	6.81
Lehman Brothers, Inc.	30,979	5.56

Diversified Bond Fund
Credit Quality Ratings of Debt Securities at June 30, 2008
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	C	Unrated
Money Market Mutual Fund	$15,262	$15,262					
Corporate Debt Instruments	40,220	12,430	$4,632	$19,080	$4,078		
Asset-Backed Securities	4,474	4,474					
Mortgage-Backed Securities	13,780	13,780					
U.S. Gov't Agency Obligations	51,585	51,585					
U.S. Gov't Agency Mortgage-Backed Securities	206,614	206,614					
Reinvestment of Securities Lending Collateral:							
Money Market Mutual Fund	260	260					
Corporate Debt Instruments	88,699	19,547	45,022	8,996	2,542	$12,592	
Asset-Backed Securities	10,971	9,682		1,289			
Repurchase Agreements	67,472						$67,472
Total Rated Investments	**$499,337**	**$333,634**	**$49,654**	**$29,365**	**$6,620**	**$12,592**	**$67,472**

Moody's or the equivalent credit quality ratings have been used.

Diversified Bond Fund
Balances of Securities Lending Transactions at June 30, 2008
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	$834	$859
U.S. Treasury Obligations	48,057	49,477
Mortgage-Backed Securities	109,145	111,082
U.S. Government Agency Obligations	11,328	11,719
Totals	**$169,364**	**$173,137**

NOTE 4. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2008, consist of the following receivables and payables *(dollars in thousands)*:

		Interfund Payables							
		General Fund	Health and Welfare	Trans-portation	Nonmajor Govern-mental	College and University	Nonmajor Enterprise	Fiduciary	Total
Interfund Receivables	General Fund				$302	$3,342	$2,000		**$5,644**
	Nonmajor Governmental		$13	$97	2,068				**2,178**
	College and University	$1,917	419		1,150				**3,486**
	Nonmajor Enterprise	7	36	76	26	6			**151**
	Internal Service	119	663		10	38			**830**
	Fiduciary							$1,585	**1,585**
	Total	**$2,043**	**$1,131**	**$173**	**$3,556**	**$3,386**	**$2,000**	**$1,585**	**$13,874**

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another. Most balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The receivables not expected to be collected within one year include $0.3 million advanced by the General Fund to nonmajor special revenue funds and $1.8 million advanced by nonmajor special revenue funds to other nonmajor special revenue funds.

B. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2008, were as follows *(dollars in thousands)*:

		Transfers In							
		General Fund	Health and Welfare	Pooled Endow-ment	Nonmajor Govern-mental	College and University	Loan	Internal Service	Total
Transfers Out	General Fund		$531,099	$352	$18,478	$304,243	$10,638	$1,830	**$866,640**
	Health and Welfare				264				**264**
	Transportation				16,381				**16,381**
	Public School Endowment	$26,995			27				**27,022**
	Pooled Endowment	12,089			10				**12,099**
	Nonmajor Governmental	66,502	3,148		8	100	4,012		**73,770**
	Unemployment Compensation				7,237				**7,237**
	Nonmajor Enterprise	43,879	2,730		1,120				**47,729**
	Internal Service	1,455							**1,455**
	Total	**$150,920**	**$536,977**	**$352**	**$43,525**	**$304,343**	**$14,650**	**$1,830**	**$1,052,597**

Interfund transfers are primarily performed for two reasons:

1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law.

2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that is directed, by budgetary authorization, to spend them.

During fiscal year 2008 the following nonroutine statutory transfers were made:

- $10.0 million to the Loan fund from the General Fund to facilitate the purchase of a fish hatchery and its water rights
- $2.0 million to the General Fund from a nonmajor special revenue fund for the Center for Advanced Energy Studies

NOTE 5. NONCURRENT RECEIVABLES

Primary Government

Loans and notes receivable in the General Fund consist of long-term receivables for freight shipping infrastructure improvements in the amount of $0.5 million, which is not expected to be collected within one year. Accounts receivable not expected to be collected within one year in the General Fund consist of income and sales tax and overpaid tax refunds in the amount of $32.9 million, net of allowance for doubtful accounts of $0.3 million.

Loans and notes receivable in the Transportation fund consist of long-term receivables from the sale of capital assets in the amount of $0.5 million, which is not expected to be collected within one year.

Loans and notes receivable in the nonmajor special revenue funds consist of long-term receivables for energy and soil conservation projects and for the construction of an irradiation facility in the amount of $12.1 million. The amount not expected to be collected within one year is $9.7 million. Accounts receivable not expected to be collected within one year in the nonmajor special revenue funds includes $2.3 million, net of allowance for doubtful accounts of $1.5 million. These amounts are related to compliance penalties, restitution to crime victims who have suffered an economic loss, and cost of supervision of individuals on probation and parole.

Loans and notes receivable in the Loan fund consist of long-term receivables for water project development, drinking water system improvements, and wastewater facility enhancements in the amount of $197.6 million, of which $188.8 million is not expected to be collected within one year.

Loans and notes receivable in the College and University fund consist of student loans in the amount of $26.6 million, net of allowance for doubtful accounts of $1.8 million. The amount not expected to be collected within one year is $23.5 million.

Noncurrent interfund receivables are discussed in Note 4.

Component Units

Loans, notes, and pledges receivable for the component units in the amount of $1.6 billion consist mainly of long-term receivables from single-family mortgage loans made by the Idaho Housing and Finance Association, loans to municipalities by the Bond Bank Authority, and pledges to the College and University Foundations. The amount not expected to be collected within one year is $1.4 billion.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows *(dollars in thousands)*:

Primary Government **Governmental Activities:**	**Balances at July 1, 2007 As Restated ***	**Increases**	**Decreases**	**Balances at June 30, 2008**
Capital Assets not Being Depreciated:				
Land	$935,071	$24,333	($10,805)	$948,599
Construction in Progress	828,831	304,031	(163,932)	968,930
Infrastructure	1,854,340	69,402	(3,798)	1,919,944
Historical Art and Collections	123		(1)	122
Total Capital Assets not Being Depreciated	3,618,365	397,766	(178,536)	3,837,595
Capital Assets Being Depreciated:				
Buildings and Improvements	619,832	44,424	(5,158)	659,098
Improvements Other Than Buildings	46,861	13,844	(1,690)	59,015
Machinery, Equipment, and Other	334,035	48,253	(44,877)	337,411
Infrastructure	616,076	15,811	(1,689)	630,198
Total Capital Assets Being Depreciated	1,616,804	122,332	(53,414)	1,685,722
Less Accumulated Depreciation for:				
Buildings and Improvements	(235,282)	(14,984)	689	(249,577)
Improvements Other Than Buildings	(14,643)	(2,636)	109	(17,170)
Machinery, Equipment, and Other	(208,976)	(25,845)	22,780	(212,041)
Infrastructure	(150,579)	(8,958)	251	(159,286)
Total Accumulated Depreciation	(609,480)	(52,423)	23,829	(638,074)
Total Capital Assets Being Depreciated, Net	1,007,324	69,909	(29,585)	1,047,648
Governmental Activities Capital Assets, Net	**$4,625,689**	**$467,675**	**($208,121)**	**$4,885,243**

*Beginning balances were adjusted for capital assets acquired in prior years.
Note: $880 was received in insurance recoveries for damage to capital assets, which is reported as other income.

Depreciation expense was charged to functions of governmental activities as follows *(dollars in thousands)*:

Governmental Activities:	
General Government	$8,462
Public Safety and Correction	7,008
Health and Human Services	2,825
Education	1,886
Economic Development	22,438
Natural Resources	7,934
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	1,870
Total Depreciation Expense for Governmental Activities	**$52,423**

Business-Type Activities:	Balances at July 1, 2007 As Restated	Increases	Decreases	Balances at June 30, 2008
Capital Assets not Being Depreciated:				
Land	$63,200	$5,600		$68,800
Construction in Progress	72,509	66,872	($66,044)	73,337
Historical Art and Collections	2,100	61	(17)	2,144
Intangible Assets	24,382	21,000		45,382
Total Capital Assets not Being Depreciated	162,191	93,533	(66,061)	189,663
Capital Assets Being Depreciated:				
Buildings and Improvements	885,261	96,372	(1,455)	980,178
Improvements Other Than Buildings	45,571	1,575		47,146
Machinery, Equipment, and Other	311,376	26,036	(10,640)	326,772
Total Capital Assets Being Depreciated	1,242,208	123,983	(12,095)	1,354,096
Less Accumulated Depreciation for:				
Buildings and Improvements	(302,678)	(23,822)	720	(325,780)
Improvements Other Than Buildings	(23,715)	(1,863)		(25,578)
Machinery, Equipment, and Other	(221,580)	(21,821)	9,410	(233,991)
Total Accumulated Depreciation	(547,973)	(47,506)	10,130	(585,349)
Total Capital Assets Being Depreciated, Net	694,235	76,477	(1,965)	768,747
Business-Type Activities Capital Assets, Net	**$856,426**	**$170,010**	**($68,026)**	**$958,410**
Component Units				
Capital Assets not Being Depreciated:				
Land	$5,316	$64	($1,308)	$4,072
Total Capital Assets not Being Depreciated	5,316	64	(1,308)	4,072
Capital Assets Being Depreciated:				
Buildings and Other Improvements	11,754	953		12,707
Improvements Other than Buildings	290	7		297
Machinery, Equipment, and Other	3,059	306	(64)	3,301
Total Capital Assets Being Depreciated	15,103	1,266	(64)	16,305
Less Accumulated Depreciation for:				
Buildings and Other Improvements	(4,597)	(319)		(4,916)
Improvements Other than Buildings	(237)	(16)		(253)
Machinery, Equipment, and Other	(2,884)	(177)	64	(2,997)
Total Accumulated Depreciation	(7,718)	(512)	64	(8,166)
Total Capital Assets Being Depreciated, Net	7,385	754	0	8,139
Component Unit Activities Capital Assets, Net	**$12,701**	**$818**	**($1,308)**	**$12,211**

NOTE 7. RETIREMENT PLANS

A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement System Base Plan (PERSI Base Plan), the Firefighters' Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages the PERSI, which includes selecting the funding agents and establishing funding policy. The PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Summary of Significant Accounting Policies

The PERSI basic financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of longer-term real estate investments has been estimated based on the PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value. Investments held by the PERSI Base Plan and the FRF are commingled.

1. PERSI Base Plan

Plan Description

Organization and Purpose
The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. The Base Plan is governed by *Idaho Code*, Sections 59-1301 through 59-1399.

Membership
State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for 5 or more consecutive months. As of June 30, 2008, the number of participating employer units is 706.

Benefits
The benefit structure is based on each member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death, and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year provided the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Funding Policy

Contributions and Vesting
Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under *Idaho Code*, Section 59-1322, is 25 years.

Actuarial valuations are performed annually. The last valuation was performed as of July 1, 2008. Normal cost

is 14.59 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.29 percent of covered payroll.

The contribution rates for the year ended June 30, 2008, were as follows:

Employee Group	Employer	Employee
General	10.39%	6.23%
Police and Fire	10.73%	7.65%

Employer contributions required and paid were $83.1 million, $83.1 million, and $87.8 million for the fiscal years ended June 30, 2006, 2007, and 2008, respectively.

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment accumulated member contributions plus interest are refundable. Interest is compounded monthly per annum and accrued at 19.46 percent January 1 through June 30, 2008; and 11.69 percent July 1 through December 31, 2007. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Although enrollees in the College and University Optional Retirement Plan no longer belong to the PERSI, they are required to contribute to the PERSI Base Plan through July 1, 2025. The contribution rate for the year ended June 30, 2008, was 1.49 percent for colleges and universities. Eastern Idaho Technical College is required to contribute 3.83 percent to the PERSI Base Plan through July 1, 2011.

Funding
Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the PERSI Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

2. Firefighters' Retirement Fund

Plan Description

The FRF is a cost-sharing multiple-employer defined benefit retirement plan. The FRF is governed by *Idaho Code*, Sections 72-1401 through 72-1472. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. As of June 30, 2008, 22 employer units, all consisting of local fire departments, were participating in the FRF. The significant accounting policies are the same as detailed for the PERSI. Complete FRF disclosures may be found in the PERSI financial statements.

3. Defined Contribution Retirement Plans

Plan Description

Organization and Purpose
The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by *Idaho Code*, Sections 59-1301 through 59-1399. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

Membership
The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation. The plans have 706 employer units eligible to have participating employees.

Summary of Significant Accounting Policies

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as for the PERSI.

Funding Policy

Contributions
Beginning in January 2002 employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary, less deductions, and subject to the IRS annual contribution limit. Participants direct their investment mix without restriction and may elect to change their salary deferral. On May 1, 2001, the 401(k) plan became open to voluntary employer matching

contributions at rates determined by the employers. Employers and participants in the plans contributed $0.2 million and $34.9 million, respectively, during the fiscal year ended June 30, 2008.

B. Other State-Sponsored Retirement Plans

1. Judges' Retirement Fund

Plan Description

Organization and Purpose
The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, and district court judges, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by *Idaho Code*, Sections 68-501 through 68-514; and *Idaho Code*, Title 1, Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership
Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- attainment of age 65 and a minimum of 4 years of service
- attainment of age 60 and a minimum of 10 years of service
- attainment of age 55 and a minimum of 15 years of service
- after 20 years of service

As of June 30, 2008, the JRF has 69 retired members or beneficiaries collecting benefits, 8 terminated members entitled to but not yet receiving benefits, and 51 active members.

Benefits
The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death, and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to, but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon current annual compensation of the highest office in which the member served, with benefits for option A accumulating as follows:

> For the first ten years of service benefits are credited at 5 percent per year of the member's compensation. For the remaining years of service benefits are credited at 2.5 percent per year of the member's compensation.

In addition to the above benefits, option B includes:

> Benefits credited at 12.5 percent per year for senior judges with five years of service.

The maximum benefit is 75 percent of compensation. After four years of credited service any member retiring by reason of disability will be entitled to benefits calculated using option A. Upon the death of retired or sitting members, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Member and Department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest which approximates market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting
The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

Members and the Judicial Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of the member compensation as defined by state law. The JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately $5.5 million for the fiscal year ended June 30, 2008. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed biennially using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7.5 percent investment rate of return, projected annual salary increases of 3 percent, and annual postretirement benefit increases of 3 percent. Assets are presented at market value. Based on the most recent actuarial valuation as of June 30, 2008, the annual required contribution (ARC) is $2.6 million. Total Judicial Department and member contributions to the pension plan for the fiscal year ended June 30, 2008, amounted to $2.2 million, of which $1.5 million was received from filing fees, $0.4 million from the Judicial Department, and $0.3 million from the members. Net pension obligation increased from $1.7 million in 2007 to $2.4 million in 2008 due to the annual pension cost exceeding the employer's contributions. The required schedule of funding progress immediately follows the notes and presents multiyear trend information about the change in actuarial value of plan assets.

The funding progress for the fiscal year ended June 30, 2008, is as follows (*dollars in thousands*):

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/08	$60,136	$72,519	$12,383	82.9%	$5,723	216

The State's annual pension cost and net pension obligation to the JRF for the current year and two preceding years are as follows:

Idaho Judges' Retirement Fund
Annual Pension Cost and Net Pension Obligation
(dollars in thousands)

	2006	2007	2008
Annual Required Contribution (ARC)	$2,284	$2,523	$2,582
Interest on Net Pension Obligation (NPO)	47	80	129
Adjustment to ARC	(56)	(96)	(154)
Annual Pension Cost (APC)	2,275	2,507	2,557
Employer Contributions Made	(1,825)	(1,864)	(1,896)
Increase in NPO	450	643	661
Prior Year NPO	621	1,071	1,714
Current Year NPO	**$1,071**	**$1,714**	**$2,375**
Percentage of APC Contributed	80.2	74.3	74.2

2. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by *Idaho Code*, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Membership
New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting
The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. The contribution requirement and amount paid for the fiscal year ended June 30, 2008, was $36.1 million, which consisted of $20.4 million from the colleges and universities and $15.7 million from employees. The contribution rates as a percentage of payroll for the year ended June 30, 2008 are as follows:

Employee Group	Employer	Employee
Boise State University	9.26%	6.97%
Eastern Idaho Technical College	7.72%	6.97%
Idaho State University	9.30%	6.97%
Lewis-Clark State College	9.35%	7.72%
University of Idaho	9.26%	6.97%

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age.

3. Department of Labor Retirement Plan

Plan Description

Organization and Purpose
This stand-alone insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The Plan is governed by *Idaho Code*, Section 72-1335, and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership
As of September 30, 2007, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	407
Inactive Participants	13
Current Active Employees	35
Total	455

Benefits
The retirement benefit payments are calculated using a benefit formula established by the Plan. This monthly benefit is payable for life, through an annuity purchased, for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Once an annuity is purchased Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2007, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is $127.4 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2008. Net assets available for benefits (at fair value) are $196.3 million.

Funding Policy

Contributions
Until August 1999, 7 percent of payroll was contributed by the employee. The employee contribution was required by the Plan and was made even though a contribution was not actuarially needed to finance future benefits. In August 1999 the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2008, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2009. The total employer contribution for federal fiscal year 2007 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The State Department of Administration administers postemployment benefits for healthcare, disability, and life insurance for retired or disabled employees of state agencies, public health districts, community colleges, and other political subdivisions that participate in the plans. The Retiree Healthcare and Long-Term Disability plans are reported as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. *Idaho Code*, Sections 67-5760 to 67-5768 and 72-1335, establishes the benefits and contribution obligations. The plans do not issue publicly available financial reports. The contribution rates are actuarially determined. The most recent actuarial valuation is as of July 1, 2006. No assets have been set aside to pay future benefits; these benefits are funded on a pay-as-you-go basis. The costs of administering the plans are financed by a surcharge on all active employees, $0.30 per person per month for fiscal year 2008. This rate is reviewed annually.

The University of Idaho administers a single-employer defined benefit plan which provides medical, dental, and life insurance. The benefits may be amended by the University or the State Board of Education. The plan does not issue a publicly available financial report. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2007. The University has established a trust to fund the medical and dental portions of these benefits. The cost of administering the medical and dental portion of the plan is included in medical claim costs; the life insurance portion is financed by a 10 percent surcharge.

The number of participating employers and the classes of employees covered by the above plans are as follows:

Participating Employers and Classes of Employees

	Retiree Healthcare Plan	Long-Term Disability Plan	Life Insurance Plan	University of Idaho Plan
Active Employees	19,658	19,658	4,431	1,526
Retired/Disabled Employees	3,124	544	1,181	768
Terminated, Vested Employees	3,225		18	
Number of participating employers	23	23	1	1

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired officer or employee of a state agency, department, institution, or other political subdivision, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within sixty days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have ten or more years (20,800 or more hours) of credited service. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. In fiscal year 2008 retired plan members contributed 65.7 percent of the total premium cost. In fiscal year 2008 employers were charged $32.83 per active employee per month towards the retiree premium cost, 34.3 percent of the total cost of the retiree plan. The actual contribution is actuarially calculated.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or $3,750, whichever is less. The benefit does not increase with inflation and

may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contributions is actuarially determined based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The employer pays 100 percent of the cost of the premiums; the contribution rate for the period was 0.37 percent of payroll. The employers' actual contribution was $2.8 million in fiscal year 2008. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

For up to 30 months following the date of disability an employee is entitled to continue healthcare coverage under this plan. Each employer pays 100 percent of the employer's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. In fiscal year 2008 employers were charged $5.98 per active employee per month; the actual contribution is actuarially calculated.

The plan also provides basic life insurance and dependent life insurance to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. In addition, a $2,000 life insurance benefit is provided for spouses and a $1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The employer pays 100 percent of the cost of the premiums; the contribution is actuarially determined based on actual claims experience.

Life Insurance Plan

Boise State University, Idaho State University, Lewis-Clark State College, and Eastern Idaho Technical College provide basic life insurance to certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement.

The Judicial Department provides basic life insurance for life to all retired Idaho Supreme Court justices, district court judges, magistrate judges, and court administrators. Eligible retirees receive life insurance coverage equal to 100 percent of the annual salary of the position from which they retire.

The Department of Labor provides basic life insurance to all certified retired employees of the Department. Eligible retirees receive insurance equal to 50 percent of their annual salary at retirement, not to exceed $5,000.

These participating agencies pay 100 percent of the cost of basic life insurance for eligible retirees. The contribution rate for the fiscal year was a percentage of payroll as indicated in the following chart:

Life Insurance Contribution Rates

	Under Age 65	Age 65 - 69	Age 70 and Over	All Ages
Colleges and Universities	2.037%	1.568%	1.081%	
Judicial Department	1.940%	1.471%	0.984%	
Department of Labor				0.984%

University of Idaho Plan

The University of Idaho plan provides medical and dental benefits to eligible retirees, disabled employees, spouses, and survivors; life insurance is provided only to retirees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for these benefits. These benefits have not been offered to employees hired on or after January 1, 2002. The University pays a portion of the coverage for retirees and disabled employees; the retiree or disabled employee pays the remainder. Spouses and survivors are required to pay 100 percent of the cost for the medical and dental benefits. Employees hired after January 1, 2002, are eligible to participate in the University's health insurance plan; the employee pays the entire cost of the premiums. The University determines the defined premium costs that will be borne by the retiree plan participants. The University solely bears the risk for adverse financial performance, subject to a cap of $150,000 per retiree per year, after which the University is reinsured. Retiree health plan performance is reviewed annually and premium rates are then adjusted by the University as necessary.

Summary of Significant Accounting Policies

Each of the participating employers is required by GASB Statement No. 45 to disclose additional information regarding funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

GASB Statement Nos. 43 and 45 have been implemented prospectively for all plans, and the net OPEB obligation at transition, July 1, 2007, was zero.

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Revenues and contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a liability is incurred, regardless of the timing of cash flows. Investments are reported at fair value.

The financial position of each of the OPEB plans at June 30, 2008, is as follows:

OPEB Condensed Statement of Assets and Liabilities
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan	Life Insurance Plan
ASSETS			
Pooled Cash and Investments	$510	$92	
Total Assets	$510	$92	$0
LIABILITIES			
Deferred Revenue	$510	$92	
Total Liabilities	$510	$92	$0

Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of contributions made, and the increase (decrease) in the net OPEB obligation, as of June 30, 2008:

Annual OPEB Cost
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan	Life Insurance Plan	University of Idaho Plan
Annual OPEB Cost	$33,311	$2,484	$2,542	$7,157
Contributions Made	(7,835)	(2,139)	(487)	(7,234)
Increase (Decrease) in Net OPEB Obligation	25,476	345	2,055	(77)
Net OPEB Obligation – Beginning of Year	0	0	0	0
Net OPEB Obligation (Funding Excess) – End of Year	$25,476	$345	$2,055	($77)
Percentage of AOC Contributed	23.5	86.1	19.2	101.1

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the State as an employer, as of June 30, 2008*:*

Funded Status and Funding Progress
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan	Life Insurance Plan	University of Idaho Plan
	Actuarial Valuation Date	7/1/2006	7/1/2006	7/1/2006	7/1/2007
1	Actuarial Value of Assets	$0	$0	$0	$4,325
2	Actuarial Accrued Liability (AAL)	353,159	26,999	30,577	83,011
3	Unfunded AAL (UAAL) (2) - (1)	$353,159	$26,999	$30,577	$78,686
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	5.2%
5	Annual Covered Payroll	$764,953	$764,953	$237,374	$120,560
6	UAAL as a Percentage of Covered Payroll (3) : (5)	46.2	3.5	12.9	65.3

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Required supplementary information immediately follows the notes to the financial statements; in subsequent years this required supplementary information will contain multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected based on these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan	Life Insurance Plan	University of Idaho Plan
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar
Amortization Period	30 years, Open	30 years, Open	30 years, Open	30 years, Open
Assumptions:				
Inflation Rate	3.75%	3.75%	3.75%	N/A
Investment Return	5.00%	5.00%	5.00%	6.25%
OPEB Increases	N/A	N/A	4.50%	N/A
Projected Salary Increases	4.50%	4.50%	4.50%	3.00%
Healthcare Cost Initial Trend Rate	10.00%	10.00%	N/A	10.00%
Healthcare Cost Ultimate Trend Rate	5.00%	5.00%	N/A	5.00%

NOTE 9. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance internal service funds and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the *Idaho Tort Claims Act* maximum of $500,000 for each occurrence. Property damage claims are self-insured for up to $250,000 per occurrence annually. Physical damage to covered vehicles is self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

Liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. The State records its Risk Management premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. At fiscal year-end $18.7 million of unpaid claim liabilities for Risk Management are presented at present value, $17.1 million, using a 4 percent discount interest rate.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Life, health, and disability insurance programs are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 30.1 percent of the annual premiums for medical, 19.3 percent for dental, and 10 percent for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. Policy claim liabilities are composed of the amounts required to fund any additional payments of life, health, and disability premiums. The liabilities include claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The claims payments for fiscal year 2008 reflect increased healthcare costs. Unpaid claim liabilities at fiscal year-end of $3.1 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with restricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years.

Liabilities are reported when the occurrence of loss is probable and the amount of the loss can be reasonably estimated. Changes in policy claim liabilities for the fiscal years ending June 30, 2007, and 2008, are as follows (*dollars in thousands*):

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims (Payments) Refunds	Ending Balance
Risk Management	2007	$15,979	$2,925	($3,721)	$15,183
	2008	$15,183	$5,840	($3,915)	$17,108
Group Insurance	2007	$2,129	$1,072	($517)	$2,684
	2008	$2,684	$18,338	($17,966)	$3,056

NOTE 10. LEASES

A. State as Lessee

The State leases office buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, executory costs, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases are leases that do not qualify for capitalization; therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2008 were $26.8 million for the primary government and $36,451 for component units. Operating leases contain various renewal options, as well as some purchase options.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense.

Assets under capital lease as of June 30, 2008, are as follows *(dollars in thousands)*:

Asset Class	Governmental Activities	Business-Type Activities	Total Primary Government
Land	$390		$390
Buildings and Improvements	12,006	$6,973	18,979
Improvements Other Than Buildings	609		609
Machinery, Equipment, and Other	3,735	2,767	6,502
Total Capital Leases	**$16,740**	**$9,740**	**$26,480**

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 2008, are as follows *(dollars in thousands)*:

	Operating Leases		Capital Leases			
Fiscal Year	Primary Government	Component Units	Governmental Activities	Business-Type Activities With Third Parties	Business-Type Activities With Component Units	Total Primary Government
2009	$27,250	$8	$2,026	$489	$425	$2,940
2010	22,516	9	1,492	489	423	2,404
2011	20,507	9	1,287	201	430	1,918
2012	17,480	9	1,198	36	426	1,660
2013	11,597	9	1,103		430	1,533
2014 - 2018	17,486	69	4,671		1,710	6,381
2019 - 2023	4,002	92	3,888			3,888
2024 - 2028	4,367	132	1,137			1,137
2029 - 2033		70				
2034 - 2038		47				
Total Payments	**$125,205**	**$454**	16,802	1,215	3,844	21,861
Less Imputed Interest			(4,805)	(76)	(927)	(5,808)
Total Present Value of Minimum Lease Payments			**$11,997**	**$1,139**	**$2,917**	**$16,053**

B. State as Lessor

Non-state parties rent land and buildings under operating leases from the Military Division, the Lava Hot Springs Foundation, the Departments of Correction, Health and Welfare, Juvenile Corrections, Lands, and Parks and Recreation. At June 30, 2008, the State leased the following (*dollars in thousands*):

Asset Class	Fair Market Value at Date of Acquisition	Accumulated Depreciation	Current Book Value
Land	$2,196		$2,196
Buildings and Improvements	1,936	($906)	1,030
Improvements Other Than Buildings	10	(4)	6
Total	**$4,142**	**($910)**	**$3,232**

Future minimum rentals for operating leases as of June 30, 2008, are as follows *(dollars in thousands)*:

Fiscal Year Ending June 30	Total
2009	$9,643
2010	8,855
2011	5,903
2012	3,193
2013	2,470
2014 - 2018	4,981
2019 - 2023	2,096
2024 - 2028	1,900
Total Minimum Future Rentals	**$39,041**

NOTE 11. SHORT-TERM DEBT

Primary Government

Idaho Code, Section 63-3201, authorizes the State Treasurer, upon approval of the State Board of Examiners, to borrow money in anticipation of current year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors affecting the timing of receipts; such factors are the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2008 the State anticipated that 43.2 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 67.1 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on the open market were issued on July 2, 2007, and were redeemed on June 30, 2008.

Component Units

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to provide funds to purchase single-family mortgage loans on an interim basis and to finance multi-family construction loans. As of June 30, 2008, the Association has commercial paper outstanding, maturing within 30 to 90 days from date of issue, with a weighted average interest rate of 4.12 percent.

The Idaho Small Employer Health Reinsurance Program has a $600,000 line-of-credit commitment from a local bank for operating expenses. Interest on the advances is payable monthly at prime rate plus 0.5 percent per annum. The line matures October 14, 2008, and is not secured.

Short-term debt activity for the fiscal year ended June 30, 2008, was as follows *(dollars in thousands)*:

	Beginning Balance	Issued	Redeemed	Ending Balance
Primary Government				
Governmental Activities:				
External Tax Anticipation Notes	$0	$400,000	($400,000)	$0
Component Units				
Commercial Paper	15,000	225,000	(210,000)	30,000
Line of Credit	0	569	(284)	285

NOTE 12. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Primary Government

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Employees earn vacation based on hours worked and years of service; compensatory time earned is based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued in the government-wide, proprietary, and fiduciary fund financial statements for all vacation pay and compensatory time when incurred. The liability is based on the pay rate in effect at the balance sheet date. The State assumes a first-in, first-out flow for compensated absence balances.

Idaho Code, Section 67-5333, establishes the policy for sick leave benefits. The State does not pay amounts for accumulated sick leave when employees separate from service. Therefore, the State does not accumulate a liability for sick leave. However, upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) may be used to purchase health insurance for the retiree.

Credited Hours of State Service		Maximum Allowable Hours
0–10,400	(0-5 years)	420
10,401–20,800	(5-10 years)	480
20,801–31,200	(10-15 years)	540
31,201+	(15 years or more)	600

The health insurance premiums are funded by remitting 0.65 percent of payroll to the Sick Leave Insurance Reserve fund administered by the Public Employee Retirement System of Idaho. A compensated absences liability is recorded for the actuarial accrued unfunded liability on the government-wide statements.

B. Revenue Bonds

Primary Government

The Idaho State Building Authority is authorized by *Idaho Code* Title 67, Chapter 64, to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative approval. Bonds are direct obligations of the Authority. The Authority issued $356.8 million in bonds between 1994 and 2008. The bonds are payable from and secured by a pledge of lease revenues, other funds, and reserves held under bond resolutions. Annual principal and interest payments on the bonds are expected to require 100 percent of the revenues. The total pledged revenue remaining on the bonds is $450.4 million, payable through 2044. For the current year principal and interest payments and total lease revenues were $82.4 million and $17.1 million, respectively. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds except the Series 2008A bonds, for which the Authority has a funded debt service reserve. No amounts were outstanding at June 30, 2008, under these surety bonds. The Authority has recorded an estimated arbitrage rebate liability of $1.9 million for the Series 2006A bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues. The colleges and universities issued $617.7 million in bonds between 1996 and 2007. Annual principal and interest payments on the bonds are expected to require less than 13.8 percent of the revenues. The total principal and

interest remaining on the bonds is $706.1 million, payable through 2043. For the current year principal and interest payments and total pledged revenues were $32.9 million and $237.9 million, respectively. Boise State University has recorded an estimated arbitrage rebate liability of $0.4 million.

The Idaho Water Resource Board within the Department of Water Resources is authorized to issue and sell revenue bonds under provisions of *Idaho Code*, Sections 42-1739 through 42-1749. Bonds in the original amount of $15.5 million are outstanding and secured by revenues derived from the generation of hydroelectric power, a mortgage, and the assignment of water rights. These bonds are not considered general obligations of the State. The bonds are secured by a reserve fund with the trustee bank. A portion of the bonds is further secured by a reserve requirement equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to 125 percent of the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline is out of service and unable to generate revenue. Total principal and interest remaining on the bonds is $17.3 million, payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 85.5 percent of the revenues. For the current year principal and interest payments and total pledged revenues were $0.6 million and $0.7 million, respectively.

Component Units

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under provisions of *Idaho Code*, Sections 67–6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments and the construction of highway transportation projects. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation bonds are secured by principal and interest payments from the Idaho Transportation Department. The Association issued $367.4 million in Grant Anticipation Revenue Vehicle (GARVEE) bonds during 2006 and 2008 for the construction of highway transportation projects. The total principal and interest payments remaining on the bonds is $534.4 million, payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 97.7 percent of the revenues. For the current year principal and interest payments and total pledged revenues were $27.8 million and $28.5 million, respectively.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding construction projects. Foundation bonds are secured by various revenue sources, including leases, donations, pledges, and other funds. The BSU Foundation issued $4.9 million in bonds during 2002. The total pledged revenue remaining on the bonds is $4.3 million, payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 100 percent of the revenues. For the current year principal and interest payments and total pledged revenues were $0.4 million and $0.4 million, respectively.

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of the *Idaho Constitution*, Article VIII, Section 2A, and *Idaho Code*, Sections 67-8701 through 67-8728. The bonds are used by the Authority to make loans to Idaho cities in order to finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions. The Authority issued $71.8 million in bonds between 2004 and 2008. The total principal and interest remaining on the bonds is $104.6 million, payable through 2037. Annual principal and interest payments on the bonds are expected to require 100 percent of the revenues. For the current year principal and interest payments and total pledged revenues were $3.5 million and $3.5 million, respectively.

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

	Primary Government							
	Governmental Activities		Business-Type Activities					
Fiscal Year Ending	Nonmajor Special Revenue		College and University		Loan		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$23,705	$13,298	$13,875	$19,573	$10,455	$809	**$48,035**	**$33,680**
2010	23,265	12,614	14,840	18,949	340	259	**38,445**	**31,822**
2011	23,060	11,609	14,285	18,283	360	240	**37,705**	**30,132**
2012	24,210	10,558	14,455	17,314	380	220	**39,045**	**28,092**
2013	25,370	9,416	13,335	16,597	400	198	**39,105**	**26,211**
2014-2018	68,150	34,153	84,370	71,667	2,380	617	**154,900**	**106,437**
2019-2023	48,010	23,334	88,585	50,234	560	35	**137,155**	**73,603**
2024-2028	29,645	12,392	59,190	33,800			**88,835**	**46,192**
2029-2033	8,000	8,641	55,775	21,990			**63,775**	**30,631**
2034-2038	12,585	5,904	55,560	8,990			**68,145**	**14,894**
2039-2043	16,160	2,329	13,385	1,006			**29,545**	**3,335**
2044-2048	910	23					**910**	**23**
Total	**$303,070**	**$144,271**	**$427,655**	**$278,403**	**$14,875**	**$2,378**	**$745,600**	**$425,052**
Interest Rate	2.50% to 5.98%		2.00% to 6.50%		5.25% to 6.28%			

	Component Units							
Fiscal Year Ending	Idaho Housing and Finance Association		College and University Foundation		Idaho Bond Bank Authority		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$119,335	$177,277	$265	$160	$2,465	$2,928	**$122,065**	**$180,365**
2010	35,365	119,438	275	148	2,760	2,904	**38,400**	**122,490**
2011	44,960	127,270	295	135	2,605	2,788	**47,860**	**130,193**
2012	44,330	124,625	305	120	3,195	2,663	**47,830**	**127,408**
2013	44,330	122,526	325	106	3,330	2,524	**47,985**	**125,156**
2014-2018	301,120	652,697	1,895	258	16,370	10,320	**319,385**	**663,275**
2019-2023	356,485	629,827			14,320	7,006	**370,805**	**636,833**
2024-2028	404,105	586,574			15,800	3,618	**419,905**	**590,192**
2029-2033	345,505	448,826			4,940	1,066	**350,445**	**449,892**
2034-2038	304,625	343,041			2,785	259	**307,410**	**343,300**
2039-2043	58,240	60,353					**58,240**	**60,353**
Total	**$2,058,400**	**$3,392,454**	**$3,360**	**$927**	**$68,570**	**$36,076**	**$2,130,330**	**$3,429,457**
Interest Rate	3.182% to 7.708%		4.05% to 5.35%		2.50% to 5.00%			

C. Advance Refundings

Primary Government

In prior years the Idaho State Building Authority defeased several bonds by placing governmental securities into irrevocable trusts sufficient to provide for all future debt service payments on those bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance.

In prior years Boise State University and the University of Idaho defeased several bonds by placing the proceeds of general revenue and refunding bonds into escrow accounts in amounts sufficient to pay all future debt service payments on those bonds. The related liabilities were appropriately removed from the financial statements in the year of defeasance.

The outstanding debt payable as of June 30, 2008, for each defeased debt issue follows *(dollars in thousands)*:

Issuer	Debt Issue	Amount Defeased	Remaining Liability
Idaho State Building Authority	1992 Series C Bonds	$9,225	$3,795
	2003 Series B Bonds	4,765	4,765
Boise State University	1998 Series Bonds	15,960	0
	2001 Series Bonds	2,920	2,920
	2002 Series Bonds	34,710	34,710
University of Idaho	1999 Series Bonds	19,320	640
	1999 Series A Bonds	1,175	50
	1999 Series B Bonds	4,970	200
	1999 Series C Bonds	4,065	295
	2001 Series Bonds	38,035	1,475

D. Notes Payable

Primary Government

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through the issuance of $117.3 million in notes payable to the Idaho Housing and Finance Association (IHFA). The notes are related to GARVEE bonds and will be repaid by grant revenues received by the Department from the Federal Highway Administration and by matching state funds. Annual principal and interest payments on the notes are expected to require less than 30 percent of the revenues. The total pledged revenue remaining on the notes is $172.4 million, payable through 2023. For the current year principal and interest payments and total pledged revenues were $28.5 million and $294.8 million, respectively. The amount of the balance owing does not equal the amount of the receivable recorded by IHFA due to the timing of principal and interest payments.

The Idaho Potato Commission purchased capital equipment through the issuance of a note payable.

The Department of Administration purchased operating and capital equipment through the issuance of notes payable.

The State's colleges and universities purchased land and financed various construction projects through the issuance of notes payable. One of the notes is secured by student fees and other revenue. Lewis-Clark State College issued a $1.1 million note payable during 2003. Annual principal and interest payments on the note are expected to require less that 94 percent of the revenues. The total principal and interest remaining on the note is $0.8 million, payable through 2013. For the current year principal and interest payments and total pledged revenues were $0.1 million and $0.1 million, respectively.

The Idaho Water Resource Board issued notes payable to purchase water rights. The water rights were owned by the Bell Rapids Mutual Irrigation Company and the purchase was authorized by the Legislature to address statewide water issues driven by drought, water supply, and basic demands of economic development.

Note debt service requirements to maturity are as follows (*dollars in thousands*):

	Primary Government											
	Governmental Activities						Business-Type Activities					
Fiscal Year Ending	Transportation		Nonmajor Special Revenue		Internal Service		College and University		Loan		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$30,504	$11,803	$4		$95	$187	$2,084	$747	$1,675		**$34,362**	**$12,737**
2010	7,711	14,754			110	182	4,865	661	1,675		**14,361**	**15,597**
2011	12,472	14,587			127	176	1,930	449			**14,529**	**15,212**
2012	9,046	14,206			146	168	1,567	371			**10,759**	**14,745**
2013	7,123	13,896			166	160	1,492	297			**8,781**	**14,353**
2014 - 2018	35,859	26,721			1,181	637	4,875	454			**41,915**	**27,812**
2019 - 2023	10,479	2,783			1,714	232					**12,193**	**3,015**
Total	**$113,194**	**$98,750**	**$4**	**$0**	**$3,539**	**$1,742**	**$16,813**	**$2,979**	**$3,350**	**$0**	**$136,900**	**$103,471**
Interest Rate	2.60% to 5.25%		4.98%		5.34%		*2.64% to 8.5%		0.00%			

* Notes payable for BSU include interest rates of the 30 day LIBOR plus 2.35% and 49% of lender's prime rate.

E. Claims and Judgments

Primary Government

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments as of June 30, 2008:

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of $0.8 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and to meet all costs of future site operation and maintenance costs. The December 2007 amended remediation cost estimate was $112.7 million; the State's share was $11.3 million. The State has expended $13.0 million toward the required match creating an excess match of $1.6 million; the work was completed during fiscal year 2008. The State has taken ownership of 1,400 acres of remediated and unremediated land with approximately 400 additional acres yet to be transferred from the EPA to the State. The land's value has not been established and has development limitations which may reduce property values.

In August 2002 the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is $355.0 million; Idaho's match is 10 percent or $31.0 million. The State has expended $1.8 million toward the required match leaving a liability of $29.2 million; Washington State will match the remainder of the liability. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project. The present value of operational and maintenance costs are estimated at $41.0 million.

The Idaho Department of Parks and Recreation (IDPR) took title to the Bayhorse Mine Property on June 29, 2006. As part of the acquisition agreement IDPR received a Brownsfield grant. IDPR is also working with the Department of Environmental Quality to clean up the site. The current estimate of remediation costs is $1.2 million; Idaho's share is $1.0 million. The State has expended $0.2 million toward the remediation cost leaving a liability of $0.8 million. The clean-up project for the townsite and the upper mine is on schedule to be completed on September 30, 2009.

Component Units

The component units recorded the following claims and judgments as of June 30, 2008:

The Petroleum Clean Water Trust Fund had policy claim liabilities of $7.9 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of $3.1 million for unpaid claims.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities for the fiscal year ended June 30, 2008, are summarized as follows *(dollars in thousands):*

Long-Term Liabilities	Balances at July 1, 2007 As Restated	Increases	Reductions	Balances at June 30, 2008	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	$320,855	$53,130	($70,915)	$303,070	$23,705
Premiums/Discounts/Other	3,802	577	(1,290)	3,089	
Notes Payable	3,679		(136)	3,543	100
Notes Payable to Component Unit	25,947	107,487	(20,240)	113,194	30,503
Total Bonds and Notes Payable	354,283	161,194	(92,581)	422,896	54,308
Capital Leases	12,209	1,039	(1,251)	11,997	1,394
Compensated Absences	56,629	56,353	(56,383)	56,599	53,034
Policy Claim Liabilities	17,867	24,178	(21,881)	20,164	9,047
Claims and Judgments	32,924	1,179	(3,269)	30,834	1,884
Net Pension Obligation	1,714	661		2,375	
Net OPEB Obligation		20,018		20,018	
Arbitrage Rebate Liability	901	989		1,890	
Total Governmental Activity	**$476,527**	**$265,611**	**($175,365)**	**$566,773**	**$119,667**
Business-Type Activities:					
Revenue Bonds	$395,030	$123,730	($76,230)	$442,530	$24,330
Premiums/Discounts	7,151	(3,424)	(767)	2,960	(130)
Notes Payable	16,802	9,396	(6,035)	20,163	3,759
Premiums/Discounts		(13)	5	(8)	
Total Bonds and Notes Payable	418,983	129,689	(83,027)	465,645	27,959
Capital Leases	1,369	194	(424)	1,139	440
Capital Leases to Component Unit	3,172		(255)	2,917	265
Compensated Absences	18,381	19,922	(18,236)	20,067	20,067
Net OPEB Obligation		7,858		7,858	
Arbitrage Rebate Liability		445		445	
Total Business-Type Activity	**$441,905**	**$158,108**	**($101,942)**	**$498,071**	**$48,731**
Component Units					
Revenue Bonds	$1,548,545	$746,600	($164,815)	$2,130,330	$122,065
Premiums/Discounts	6,653	7,010	(355)	13,308	
Total Bonds Payable	1,555,198	753,610	(165,170)	2,143,638	122,065
Policy Claim Liabilities	9,476	10,674	(9,175)	10,975	5,023
Total Component Unit Activity	**$1,564,674**	**$764,284**	**($174,345)**	**$2,154,613**	**$127,088**

Internal service funds predominantly serve the governmental funds. Accordingly, $0.7 million of compensated absences, $20.2 million of policy claim liabilities, and $0.2 million of capital leases were included in the governmental activities for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past approximately 39.4 percent has been paid by the General Fund, 59.4 percent by special revenue funds, and the remainder by internal service funds. Primarily the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the Transportation special revenue fund and nonmajor special revenue funds.

G. Conduit Debt

Primary Government

The Idaho Water Resource Board has outstanding revenue bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the property financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. As of June 30, 2008, six series of Water Resource Bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of $80.7 million.

Component Unit

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. As of June 30, 2008, twenty-two series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of $90.8 million.

NOTE 13. FUND EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

During fiscal year 2008, additional information became available that required the restatement of the beginning fund balances or net assets for the following funds:

The nonmajor governmental funds beginning fund balances decreased by $4.0 million because of an adjustment to receivables.

The General Services internal service fund beginning net assets increased by $4.3 million because of an adjustment to capital assets. The Group Insurance internal service fund beginning net assets increased by $15.9 million due to a change in accounting principle for other post employment benefits.

The beginning net assets of the Loan Fund, a major enterprise fund, decreased by $0.7 million because of an adjustment to the prior year revenues.

Component Unit beginning net assets increased by $9.7 million due to Idaho State University Foundation's decision to follow financial reporting standards established by the Financial Accounting Standards Board.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, the following have been removed from these financial statements: the Idaho Public Television Foundation, formerly presented as part of the nonmajor governmental funds, and the Idaho Life and Health Insurance Guaranty Association, formerly presented as a component unit. Because of these changes, the nonmajor governmental funds beginning fund balances decreased by $6.8 million and the beginning net assets of component units decreased by $8.4 million.

The government-wide Statement of Activities beginning net assets balance includes the above adjustments.

B. Net Assets Restricted by Enabling Legislation

Net assets are reported as restricted when constraints are placed on net asset use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

At June 30, 2008, the government-wide Statement of Net Assets reported restricted net assets of $1.9 billion for governmental activities, $830.4 million for business-type activities, and $436.1 million for component units. These amounts include $331.8 million of net assets restricted by enabling legislation for governmental activities and $285.1 million of net assets restricted by enabling legislation for business-type activities.

C. Designated Governmental Fund Balances

Designated fund balances are included in the Unreserved Fund Balances reported on the Governmental Fund Balance Sheet. Designations represent management's tentative self-imposed decisions about the future use of unreserved fund balances. Designated fund balances for the fiscal year ended June 30, 2008, include the following:

- General Fund: $4.0 million for parks and recreation capital projects
- Transportation Fund: $93.6 million for trustee and benefit payments, highway projects, and matching federal dollars on state transportation projects
- Nonmajor Governmental Funds: $15.1 million for air and water quality programs and environmental remediation projects, and $7.4 million for parks and recreation capital projects
- Component Units: $1.2 million by Petroleum Clean Water Trust Fund for future underwriting investigation expenses and future loss for tanks that existed at December 31, 2007, and were eligible for insurance, but were not yet insured

NOTE 14. DONOR-RESTRICTED ENDOWMENTS

Primary Government

Both the Public School Endowment and the Pooled Endowment funds have a nonexpendable permanent corpus and an earnings reserve account; the earnings reserve is used to receive earnings and to pay beneficiaries and expenses. The Endowment Fund Investment Board (EFIB) invests the revenues generated from the management and/or sale of endowment lands. The Board of Land Commissioners (Land Board) and the EFIB spend the net appreciation and other revenues in accordance with *Idaho Code*, Title 57, Chapter 7 and Title 67, Chapter 16. For the fiscal year ended June 30, 2008, no net appreciation on investments of the donor-restricted endowments was available for the Land Board or the EFIB to authorize expenditures for the Public School Endowment or the Pooled Endowment funds. The Land Board has set the current distribution policy for the endowments at 5 percent of the three-year rolling average permanent fund balances, but it may adjust this amount depending on the amount in the earnings reserve accounts, transfers to the permanent funds, and other factors.

In fiscal year 2008 the Department of Parks and Recreation received a $1.0 million donor-restricted endowment for the preservation, operation, and management of the Ritter Island Unit of the Thousand Springs Complex. Only earnings from investments may be expended by the Idaho Parks and Recreation Board, although no less than 3 percent of the total value of the endowment shall be designated as earnings even if such designation temporarily reduces the principal. In the first two years after the donation no less than $30,000 is to be distributed to the Board. The Board maintains sole discretion in determining the amount of earnings to be distributed to the Department of Parks and Recreation and to be deposited to increase the principal of the endowment. For the fiscal year ended June 30, 2008, no net appreciation was available for expenditure.

Component Units

Endowments for the Boise State University Foundation, Bronco Athletic Association, University of Idaho Foundation, and Lewis-Clark State College Foundation, are managed in accordance with *Idaho Code*, Title 33, Chapter 50 and rules adopted by their boards as specified below.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. During the fiscal year the Foundation received new contributions of $1.9 million. At June 30, 2008, the amount permanently restricted by donors was $44.7 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments had net negative appreciation (loss) of $0.9 million during the fiscal year. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation has set a "total return" spending policy that specifies 4 percent of the three-year rolling average of the ending market value of each individual account be made available for expenditure each year. This amount is reduced accordingly if the account has insufficient accumulated earnings to cover the payout.

The Bronco Athletic Association receives certain gift assets that are to be held in perpetuity for the benefit of Boise State University. During the fiscal year the Foundation received $0.8 million in new contributions. At June 30, 2008, the amount permanently restricted by donors was $10.3 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments had net negative appreciation (loss) of $0.4 million during the fiscal year. Accumulated

earnings are reported in net assets restricted for permanent trust-expendable. The Association has set a "total return" spending policy that specifies 4 percent of the three-year rolling average of the ending market value of each individual account be made available for expenditure each year. This amount is reduced accordingly if the account has insufficient accumulated earnings to cover the payout.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The Foundation received $7.1 million in new contributions during the fiscal year. At June 30, 2008, the amount permanently restricted by donors was $95.7 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments had net negative appreciation (loss) of $25.9 million during the fiscal year. Unrealized appreciation is included in net assets restricted for permanent trust-nonexpendable. All other appreciation is also included in restricted net assets as expendable or nonexpendable permanent trust depending on the terms of the endowment agreements. The Foundation has the following two-tier spending policy dependent upon the endowment agreement that exists for each endowment:

1. Endowments with agreements that require reinvestment of all realized capital gains as principal can distribute only realized interest and dividends, and all realized gains are reinvested.
2. For endowments without restrictive reinvestment language, the Board of Directors establishes an annual spending rate. For the fiscal year 2008, the spending rate was set at 4.5 percent of the three-year rolling average of the endowments' monthly fair market value. If the total realized dividends, interest, and short-term capital gains are less than the total amount required to make a distribution based on the established spending rate, realized long-term capital gains will be used to make up the shortfall.

The Lewis-Clark State College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. During the fiscal year the Foundation received $0.7 million in new contributions. At June 30, 2008, the amount permanently restricted by donors was $0.3 million. This amount is included in net assets restricted for permanent trust-nonexpendable. These endowments experienced a net loss of $0.3 million during the fiscal year. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation established a spending rate of 4 percent of the five-year rolling average of the market value of each endowment account as of December 31 for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

NOTE 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

At June 30, 2008, litigation and contingencies consist of the following:

Primary Government

In November 1998 a Master Settlement Agreement was reached between the five largest tobacco manufacturers and 46 states. Since then more than 40 tobacco companies have joined the Agreement. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of $28.5 million during fiscal year 2008. A number of tobacco manufacturers allege that Idaho has not diligently enforced the Idaho Master Settlement Agreement Act, and therefore should have one or more of its annual payments eliminated. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation, until resolved, threatens one or more future payments.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. The State is unable to estimate the ultimate outcome or liability, if any, in respect to the various proceedings. However, the State believes that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

The Idaho Transportation Department (ITD) faces a potential liability of $2.3 million for unpaid contractual claims. A probable cost of $0.8 million has been recognized as a liability with a remaining contingent liability of $1.5 million.

Idaho Code, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. If the State is required to make the bond payment of any school district, the State will

redirect distributions normally made to the school district to reimburse the State. As of June 30, 2008, the principal amount of qualified bonds outstanding to school districts was $654.8 million.

Idaho Code, Section 67-8716, requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any municipality, the State will redirect distributions normally made to the municipality to reimburse the State. As of June 30, 2008, the Idaho Bond Bank Authority had a principal amount of qualified bonds outstanding to municipalities of $68.6 million and the interest amount outstanding was $36.1 million.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The State's opinion is that these refunds, if any, will not have a significant effect on the financial position of the State.

Component Units

In July 2004 the University of Idaho Foundation initiated a lawsuit against the original developer of the University Place project. The Foundation seeks to recover approximately $7.0 million in damages. In November 2006 an Idaho court ruled that the Foundation has a contractual obligation under a reconciliation agreement; the Foundation has appealed the court's ruling to the Idaho Supreme Court.

B. Commitments

At June 30, 2008, commitments consist of the following:

Primary Government

The Public Employee Retirement System of Idaho has a total of $575.3 million in outstanding commitments for investments to private equity partnerships.

The Department of Administration has a total of $334.8 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The ITD has a total of $132.1 million in outstanding commitments for infrastructure and $1.6 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay Idaho Housing and Finance Association $367.4 million in principal and $197.3 million in interest related to Grant Anticipation Revenue Vehicle (GARVEE) bonds for construction costs to improve and enhance the State's highway infrastructure. To date ITD has borrowed $135.9 million against the total; of that amount, $22.7 million has been repaid, resulting in a $113.2 million liability being recorded. Details can be found in Note 12.

The colleges and universities estimate costs of $143.7 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. As of June 30, 2008, the Clean Water Loan fund had loan commitments of $52.0 million. Most of these loan commitments will be funded from accumulated repayments and investment revenue which are perpetually appropriated for this purpose. The Drinking Water Loan fund had $48.8 million of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. DEQ also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling $4.0 million.

The Department of Correction has a contract with Corrections Corporation of America to operate a 1,514-plus bed prison. The contract expires July 1, 2009. The estimated cost for fiscal year 2009 is $25.4 million. The Department has a second contract with Corrections Corporation of America to house a monthly average of 343 offenders. The estimated cost for fiscal year 2009 is $7.4 million. The Department has a contract until October 2008 with Correctional Medical Services, Inc. to provide medical services for inmates. The estimated cost for fiscal year 2009 is approximately $20.5 million. The Department has a contract with Geo Group to house a minimum of 373 inmates out of state. The contract expires July 20, 2009, and is estimated to cost $6.5 million. The Department also has a contract with the Ada County Sheriff's Office to house up to 68 inmates in a work release program. The fiscal year 2009 estimated cost is $0.9 million.

The State Board of Education has a contract with Data Recognition Corporation to provide testing services to Idaho students through 2012 for $24.3 million.

The Department of Parks and Recreation has a total of $17.4 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from $90 to $360 per day. The estimated cost for fiscal year 2009 is $11.3 million.

Boise State University is in discussions with the College of Western Idaho that may lead to the University gifting capital assets to the newly-founded community college at some point in fiscal year 2009. These assets, including land, buildings, and other capital equipment may have a net book value of as much as $11.3 million.

The Department of Fish and Game has a contract with Outdoor Central to facilitate selling hunting and fishing licenses. The contract will expire March 2012 and the total estimated cost is $7.5 million.

The Dairy Products Commission annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2008 advertising pool commitment will not exceed $5.6 million.

The State Lottery contracted with INTRALOT, Inc. through February 18, 2014, to pay 1.98 percent of total net sales and a $4,306 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

Component Units

Idaho Housing and Finance Association has commitments to purchase $101.0 million of single-family mortgages.

The Bronco Athletic Association has guaranteed a loan made to Boise State University, the proceeds of which were used in connection with the University's stadium expansion. Maximum borrowing available pursuant to the loan is $5.0 million. The balance outstanding at June 30, 2008, was $2.8 million.

NOTE 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2008, the following events occurred:

Primary Government

On July 1, 2008, the Office of the State Treasurer issued Tax Anticipation Notes in the amount of $600.0 million. The Notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues of the State to be collected during the fourth quarter of the 2009 fiscal year. The Notes mature on June 30, 2009.

On September 1, 2008, the Idaho State Building Authority used the Series 2008A bond proceeds to redeem the Series 1998A bonds at par.

On December 1, 2008, Governor C.L. "Butch" Otter ordered a 3 percent state budget holdback directing state agencies to reduce spending immediately in anticipation of reduced revenue projections. The holdback is in addition to the 1 percent budget cut ordered on September 26, 2008. The Governor also directed that agencies hold an additional 2 percent of state appropriations in reserve in the event of further revenue declines.

The financial markets experienced significant volatility and a decline in the value of securities. The PERSI's investment experience has been consistent with losses experienced in the overall financial market and may affect the defined benefit plans' funding requirements in the future. An actuarial valuation is performed each fiscal year to determine liabilities and funding status; additional funding requirements, if any, will be determined consistent with the plan funding policy and *Idaho Code*.

Component Units

On August 21, 2008, the Idaho Housing and Finance Association issued single-family mortgage bonds 2008 Series C in the amount of $60.0 million. Write-offs related to the Association's July 1, 2008, bond redemptions were $0.7 million. Tamarack Resort LLC, an Idaho Company, approached the Association to issue approximately $600.0 million in conduit debt economic development bonds as provided by Idaho statute. The Association's Board of Commissioners gave its initial approval on July 25, 2008, to proceed with financing and authorized public hearings (which were held in late August 2008) to assess the public interest of the Association issuing such debt. Such debt issuance is contingent on the Association's Board identifying a public interest, identification of suitable investor(s) of such debt, and final approval by the Association's Board to issue the economic development bonds. On October 1, 2008, the Association issued Series 2008D revenue bonds in the amount of $60.0 million. In November the Association terminated their agreements with interest swap counter party, Lehman Brothers. The Association subsequently entered into new agreements with Barclays Bank PLC.

In October 2008 the Idaho Bond Bank Authority issued two series of revenue bonds; Series 2008C in the amount of $23.4 million and Series 2008D in the amount of $0.4 million. In November 2008 the Idaho Bond Bank Authority issued Series 2008E revenue bonds in the amount of $27.8 million.

GREAT SEAL OF
THE STATE OF IDAHO
ESTO PERPETUA

Required Supplementary Information

Photo Source: Patty Gabica Haas

Jaialdi

Jaialdi, meaning "big festival," is an educational, cultural, traditional, and entertaining celebration of the Basque people. It is the largest international Basque gathering outside of the Basque Country, the region straddling the Pyrenees of Spain and France. Idaho's Basque population is one of the largest in the United States, with a culture very much alive in Boise.

Celebrated in 1987 as a one-time festival, Jaialdi drew a crowd of approximately 30,000 people. In 1990 for the 100th year anniversary of the State of Idaho, Governor Cecil D. Andrus asked the Basque community to celebrate with Jaialdi again. The 1990 festival was so successful that local Basques decided to hold the festival every five years.

The festival is held the last weekend of July (every fifth year) to coincide with the celebration of San Ignatious of Loyola, the Basque community's patron saint. The festival offers plenty of traditional music, quick-footed folk dancing, and savory food. Throughout the celebration, athletes showcase famous Basque feats of strength in events such as harrijasotzaileak (stone lifting), probak (dragging), txinga eramatea (weight carrying), aizkolaritza (wood chopping), and sokatira (tug-o-war).

Jaialdi is a great way to learn about and appreciate Basque history, culture, and the contributions of the Basque people to Idaho. The next "big festival" will be held in July 2010.

Data Sources:
http://www.jaialdi.com/history
http://www.sunset.com/sunset/travel/article/0,20633,1068831,00.htm.
http://www.lehendakaritza.ejgv.euskadi.net/r48-3827/en/contenidos/informacion/06_revista_euskaletxeak/en_ee/adjuntos?70_i.pdf

Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	General			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sales Tax	$1,334,492	$1,334,492	$1,334,492	
Individual and Corporate Taxes	1,917,616	1,917,616	1,917,616	
Other Taxes	65,508	65,508	65,508	
Licenses, Permits, and Fees	19,439	19,439	19,439	
Sale of Goods and Services	52,930	52,930	52,930	
Grants and Contributions	5,187	5,187	5,187	
Investment Income	61,793	61,793	61,793	
Tobacco Settlement	28,504	28,504	28,504	
Other Income	15,423	15,423	15,423	
Total Revenues	$3,500,892	$3,500,892	3,500,892	
EXPENDITURES				
General Government	$978,672	$981,611	805,674	$175,937
Public Safety and Correction	264,757	267,080	252,605	14,475
Health and Human Services	30,360	30,360	29,989	371
Education	1,903,013	1,903,029	1,859,354	43,675
Economic Development	65,759	68,456	35,066	33,390
Natural Resources	72,999	73,721	57,380	16,341
Total Expenditures	$3,315,560	$3,324,257	3,040,068	$284,189
Revenues Over (Under) Expenditures			460,824	
OTHER FINANCING SOURCES (USES)				
Capital Lease Acquisitions			815	
Sale of Capital Assets			235	
Transfers In			150,920	
Transfers Out			(866,640)	
Total Other Financing Sources (Uses)			(714,670)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(253,846)	
Reconciling Items				
Changes Affected by Accrued Revenues			(349,493)	
Changes Affected by Accrued Expenditures			698,460	
Fund Balances - Beginning of Year			1,095,452	
Fund Balances - End of Year			$1,190,573	

The accompanying note is an integral part of this financial schedule.

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$1,812	$1,812	$1,812		$223,021	$223,021	$223,021	
4,485	4,485	4,485		120,240	120,240	120,240	
77,985	77,985	77,985		4,300	4,300	4,300	
1,101,253	1,101,253	1,101,253		332,767	332,767	332,767	
677	677	677		5,525	5,525	5,525	
15,011	15,011	15,011		4,409	4,409	4,409	
$1,201,223	$1,201,223	1,201,223		$690,262	$690,262	690,262	
	$68	18	$50				
$1,778,575	1,798,332	1,749,868	48,464				
				$772,400	$782,249	646,785	$135,464
$1,778,575	$1,798,400	1,749,886	$48,514	$772,400	$782,249	646,785	$135,464
		(548,663)				43,477	
		108				9,988	
		536,977					
		(264)				(16,381)	
		536,821				(6,393)	
		(11,842)				37,084	
		63,514				(12,356)	
		(39,767)				8,939	
		29,376				134,432	
		$41,281				$168,099	

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Process and Control

Budgets are adopted in accordance with *Idaho Code*, Title 67, Chapter 35. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, the capital projects fund, enterprise funds, internal service funds, earnings of the permanent funds, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures which can be made to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature. Appropriations are subject to the provisions of *Idaho Code*, Title 67, Chapter 36.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The Governor has veto power over appropriation bills. Approval by two-thirds of both houses is required to override a governor's veto. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or become law without the Governor's signature within five days after being presented to him, per *Idaho Constitution IV-10.*

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation. The Governor may call extraordinary sessions as provided by Article IV, Section 9 of the *Idaho Constitution.*

Limitations exist regarding the extent to which management may modify an appropriation. At no time, without legislative authority, may an appropriation be transferred from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per *Idaho Code*, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are reserved for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles (GAAP). The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The reconciliation at the bottom of the budget and actual schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual schedule reflects budgeted revenues as being equal to actual revenues.

The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720, or may be viewed online at www.sco.idaho.gov. Look under "Accounting," and then "Financial Reports and Public Information."

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the government must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet all of the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Annually estimate the cost to maintain and preserve the assets at the condition level established
- Document the condition level at which the assets are being preserved and maintained

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,930 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public's perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public's perception of road roughness. The RI ranges from 0.0 (extremely rough) to 5.0 (smooth).

A South Dakota-type profilometer is currently used by ITD to measure pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle that travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

Pavement Distress (Cracking) is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each PMS. Based upon this input, a cracking index (CI) is calculated for each section. The CI rating is very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the CI or RI to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	$\geq$ 2.5 (CI or RI) $\leq$ 3.0	$\geq$ 2.0 (CI or RI) $\leq$ 3.0
Poor	$\geq$ 2.0 (CI or RI) < 2.5	$\geq$ 1.5 (CI or RI) < 2.0
Very Poor	(CI or RI) < 2.0	(CI or RI) < 1.5

Established Condition Level

The ITD has established the condition level that no more than 18 percent of pavement shall be in poor or very poor condition. In fiscal year 2007 the assessed level was maintained at 19 percent. Idaho has seen a dramatic increase in the cost of construction materials, which limits the amount of pavement restoration that can be accomplished with the same funding.

Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments
Percent of Total Lane Miles per Pavement Condition

	2007		2006		2005		2004		2003	
Good	7,370	62%	7,318	61%	7,364	62%	7,154	60%	7,196	61%
Fair	2,293	19%	2,223	19%	2,244	19%	2,453	21%	2,691	23%
Poor	1,810	15%	1,879	16%	1,772	15%	1,735	15%	1,435	12%
Very Poor	457	4%	457	4%	494	4%	510	4%	497	4%
Total Lane Miles	**11,930**	**100%**	**11,877**	**100%**	**11,874**	**100%**	**11,852**	**100%**	**11,819**	**100%**

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands):*

	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
Estimated	$85,000	$90,800	$88,200	$69,200	$67,156	$65,200	$63,922
Actual		108,624	79,301	69,502	79,310	81,058	78,133

Actual costs exceeded estimated costs in fiscal year 2008 by 19.6 percent.

PENSION – Schedule of Funding Progress

Judges' Retirement Fund (*dollars in thousands*):

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/06	$57,836	$64,529	$6,693	89.6%	$5,297	126
6/30/07	65,342	69,797	4,455	93.6%	5,669	79
6/30/08	60,136	72,519	12,383	82.9%	5,723	216

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress *(dollars in thousands):*

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
Retiree Healthcare	7/1/2006	$0	$353,159	$353,159	0.0%	$764,953	46.2
Long-Term Disability	7/1/2006	$0	$26,999	$26,999	0.0%	$764,953	3.5
Life Insurance	7/1/2006	$0	$30,577	$30,577	0.0%	$237,374	12.9
University of Idaho	7/1/2007	$4,325	$83,011	$78,686	5.2%	$120,560	65.3

Schedule of Employer Contributions *(dollars in thousands)*:

	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
University of Idaho	June 30, 2008	$7,157	$7,234	101.1

Combining Financial Statements

Photo Source: Window on the Clearwater

Orofino Lumberjack Days

Celebrating over 60 years of exciting lumberjack contests, Orofino is home to the Clearwater County Fair and Lumberjack Days Celebration. This event is one of the region's most popular, drawing competitors from across the nation.

The idea began with two men who wanted a better county fair. After seeing the great success of the lumberjack demonstration, the community soon adopted its own holiday with a week-long celebration. The Clearwater County Fair and Lumberjack Days are held in conjunction with each other, each year in September. Part of what makes this fair a success is the contestants demonstration of the arts and skills of the logger, which has become a dying tradition due to mechanization and technology.

As one of the greatest county fair celebrations around, activities such as parades, burling (log rolling), horse pulling, hot sawing, speed pole climbing, single bucking, ax throwing, vertical chopping, tug of war, and Jack-Jill sawing are just a few of the fun events that can be observed. In addition to lumberjack competitions, the week-long event features community breakfasts, an old-fashioned social, an auction, truck driving, a fun run, carnival rides, and a variety of concessions for your sweet tooth. The celebration of parades, games, contests, and publicity helps to promote Clearwater County and the town of Orofino.

Data Sources:
http://www.orofinolumberjackdays.org
http://www.visitidaho.org/thingstodo/view-event.aspx?id=3833

NONMAJOR GOVERNMENTAL FUNDS include special revenue funds and a capital projects fund. The following provides a brief description of the nonmajor governmental funds.

NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues dedicated to finance specific functions of government.

The Agriculture and Natural Resources Fund accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided by dedicated user fees, the sale of goods and services, federal grants, and various other sources.

The Regulatory Fund accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

The Fish and Game Fund accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

The Federal Fund accounts for a portion of the financial position and operations associated with federal grants received by the State. Federal grants are also included in other funds of the State.

The Miscellaneous Fund accounts for the financial position and operations associated with general government services where the major sources of funding are provided by the sale of goods and services, miscellaneous taxes, and other revenues.

The Building Authority accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major source of funding is provided by the sale of goods and services and bonds issued. The Building Authority is a blended component unit.

CAPITAL PROJECTS FUNDS account for specific revenues designated to finance construction of capital assets.

The Transportation Infrastructure Fund accounts for the financial position and operations associated with the construction and financing of roads, bridges, and rest areas. The major source of funding is provided by federal highway funds and notes issued.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	**Regulatory**	**Fish and Game**	**Federal**
ASSETS				
Cash and Cash Equivalents	$6,062	$1,073		
Pooled Cash and Investments	45,232	59,860	$8,533	$9,354
Investments	10,985	423	4,612	5,750
Securities Lending Collateral	3,364		5,279	2,467
Accounts Receivable, Net	2,457	27	116	
Taxes Receivable, Net	1,359			
Interfund Receivables	1,370		183	121
Due from Other Entities	5,370		7,985	19,373
Inventories and Prepaid Items	2,384	675	5,750	1,847
Due From Component Unit				
Loans, Notes, and Pledges Receivable, Net	10,118	9	10	
Other Assets	441	7	98	50
Restricted Assets:				
Cash and Cash Equivalents	15,380	627	2,052	2,270
Investments			7,690	
Total Assets	$104,522	$62,701	$42,308	$41,232
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$4,648	$45	$2,666	$11,308
Payroll and Related Liabilities	1,906	767	1,785	4,207
Interfund Payables	667	10		2,568
Due to Other Entities	6			2,788
Deferred Revenue	3,292	632	198	273
Amounts Held in Trust for Others	1,443		5	
Obligations Under Securities Lending	3,364		5,279	2,467
Other Accrued Liabilities	1,025	482	1,469	438
Total Liabilities	16,351	1,936	11,402	24,049
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	7,968	906	1,848	12,335
Inventories and Prepaid Items	2,384	675	5,750	1,847
Noncurrent Receivables	8,830	9		
Other Purposes	9,724	627	9,641	510
Unreserved, Reported in:				
Special Revenue Funds	59,265	58,548	13,667	2,491
Capital Projects				
Total Fund Balances	88,171	60,765	30,906	17,183
Total Liabilities and Fund Balances	$104,522	$62,701	$42,308	$41,232

		Capital Projects	
Miscellaneous	Building Authority	Transportation Infrastructure	Total
	$2,720		$9,855
$86,106		$53	209,138
15,693			37,463
6,734			17,844
8,394	15		11,009
1,381			2,740
504			2,178
			32,728
1,665			12,321
		23,195	23,195
2,000			12,137
1,018	188		1,802
968	105,161		126,458
981			8,671
$125,444	$108,084	$23,248	$507,539
$2,123	$4,776	$23,197	$48,763
3,989			12,654
311			3,556
			2,794
6,239	27,300		37,934
7			1,455
6,734			17,844
396	4,467		8,277
19,799	36,543	23,197	133,277
	68,531		68,531
1,032			24,089
1,665			12,321
2,189			11,028
1,949	286		22,737
98,810	2,724		235,505
		51	51
105,645	71,541	51	374,262
$125,444	$108,084	$23,248	$507,539

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	**Regulatory**	**Fish and Game**	**Federal**
REVENUES				
Sales Tax	$4,800			
Other Taxes	30,547	$70,368		
Licenses, Permits, and Fees	32,958	47,560	$36,525	$3
Sale of Goods and Services	2,622	1,507	206	293
Grants and Contributions	35,988	68	36,133	374,612
Investment Income	2,705	421	1,764	859
Other Income	4,211	806	834	480
Total Revenues	113,831	120,730	75,462	376,247
EXPENDITURES				
Current:				
General Government		2,555		33,057
Public Safety and Correction	16	2,830		8,900
Education	33	21		214,158
Economic Development	35,460	44,782	110	60,689
Natural Resources	64,840	872	69,645	5,587
Capital Outlay	6,433	890	9,584	4,536
Intergovernmental Revenue Sharing	11,394			48,365
Debt Service:				
Principal Retirement	61		345	
Interest and Other Charges	185		712	144
Total Expenditures	118,422	51,950	80,396	375,436
Revenues Over (Under) Expenditures	(4,591)	68,780	(4,934)	811
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions			224	
Sale of Capital Assets	205	96	768	35
Transfers In	17,777			1,908
Transfers Out	(4,009)	(65,625)	(145)	(225)
Total Other Financing Sources (Uses)	13,973	(65,529)	847	1,718
Net Changes in Fund Balances	9,382	3,251	(4,087)	2,529
Fund Balances - Beginning Of Year, as Restated	78,789	57,514	34,993	14,654
Fund Balances - End of Year	$88,171	$60,765	$30,906	$17,183

	Capital Projects		
Miscellaneous	Building Authority	Transportation Infrastructure	Total
			$4,800
$26,759			127,674
16,951			133,997
30,973	$17,050		52,651
11,375			458,176
10,536	2,595	$72	18,952
15,222			21,553
111,816	19,645	72	817,803
5,866	346		41,824
48,383			60,129
10,526			224,738
36,413		8,139	185,593
1,196			142,140
2,140	43,689	99,394	166,666
9,124			68,883
463	70,915		71,784
2,838	14,032		17,911
116,949	128,982	107,533	979,668
(5,133)	(109,337)	(107,461)	(161,865)
	53,130	107,487	160,617
			224
155			1,259
23,840			43,525
(3,766)			(73,770)
20,229	53,130	107,487	131,855
15,096	(56,207)	26	(30,010)
90,549	127,748	25	404,272
$105,645	$71,541	$51	$374,262

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sales Tax	$4,800	$4,800	$4,800	
Other Taxes	30,876	30,876	30,876	
Licenses, Permits, and Fees	32,803	32,803	32,803	
Sale of Goods and Services	2,572	2,572	2,572	
Grants and Contributions	35,339	35,339	35,339	
Investment Income	2,342	2,342	2,342	
Other Income	3,979	3,979	3,979	
Total Revenues	$112,711	$112,711	112,711	
EXPENDITURES				
General Government				
Public Safety and Correction	$17	$17	16	$1
Education				
Economic Development	40,246	40,287	35,855	4,432
Natural Resources	120,643	121,505	82,998	38,507
Total Expenditures	$160,906	$161,809	118,869	$42,940
Revenues Over (Under) Expenditures			(6,158)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			205	
Transfers In			17,777	
Transfers Out			(4,009)	
Total Other Financing Sources (Uses)			13,973	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			7,815	
Reconciling Items				
Changes Affected by Accrued Revenues			1,120	
Changes Affected by Accrued Expenditures			447	
Fund Balances - Beginning of Year, as Restated			78,789	
Fund Balances - End of Year			$88,171	

continued

Special Revenue							
Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$77,800	$77,800	$77,800					
47,507	47,507	47,507		$36,525	$36,525	$36,525	
1,191	1,191	1,191		206	206	206	
68	68	68		34,939	34,939	34,939	
421	421	421		1,261	1,261	1,261	
806	806	806		765	765	765	
$127,793	$127,793	127,793		$73,696	$73,696	73,696	
$2,580	$2,580	2,580					
3,309	3,319	2,889	$430				
54,519	54,723	49,356	5,367	$216	$216	100	$116
2,211	2,211	899	1,312	76,746	82,582	75,299	7,283
$62,619	$62,833	55,724	$7,109	$76,962	$82,798	75,399	$7,399
		72,069				(1,703)	
						224	
		96				768	
		(65,625)				(145)	
		(65,529)				847	
		6,540				(856)	
		(7,063)				1,766	
		3,774				(4,997)	
		57,514				34,993	
		$60,765				$30,906	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Special Revenue			
	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees	$3	$3	$3	
Sale of Goods and Services	53	53	53	
Grants and Contributions	379,731	379,731	379,731	
Investment Income	571	571	571	
Other Income	383	383	383	
Total Revenues	$380,741	$380,741	380,741	
EXPENDITURES				
General Government	$85,261	$85,843	55,782	$30,061
Public Safety and Correction	19,398	19,434	13,624	5,810
Education	270,328	271,155	232,003	39,152
Economic Development	90,865	93,507	69,963	23,544
Natural Resources	17,651	18,991	13,263	5,728
Total Expenditures	$483,503	$488,930	384,635	$104,295
Revenues Over (Under) Expenditures			(3,894)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			35	
Transfers In			1,908	
Transfers Out			(225)	
Total Other Financing Sources (Uses)			1,718	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(2,176)	
Reconciling Items				
Changes Affected by Accrued Revenues			(4,494)	
Changes Affected by Accrued Expenditures			9,199	
Fund Balances - Beginning of Year, as Restated			14,654	
Fund Balances - End of Year			$17,183	

continued

Special Revenue							
Miscellaneous				Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$21,146	$21,146	$21,146					
16,944	16,944	16,944					
23,292	23,292	23,292		$17,050	$17,050	$17,050	
9,063	9,063	9,063					
7,368	7,368	7,368		2,595	2,595	2,595	
16,605	16,605	16,605					
$94,418	$94,418	94,418		$19,645	$19,645	19,645	
$6,446	$6,451	5,806	$645	$128,982	$128,982	128,982	
58,179	58,454	54,280	4,174				
9,987	14,628	10,840	3,788				
45,327	44,453	40,063	4,390				
3,428	3,641	1,174	2,467				
$123,367	$127,627	112,163	$15,464	$128,982	$128,982	128,982	
		(17,745)				(109,337)	
						53,130	
		155					
		23,840					
		(3,766)					
		20,229				53,130	
		2,484				(56,207)	
		17,398					
		(4,786)					
		90,549				127,748	
		$105,645				$71,541	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Capital Projects			
	Transportation Infrastructure			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services				
Grants and Contributions				
Investment Income	$72	$72	$72	
Other Income				
Total Revenues	$72	$72	72	
EXPENDITURES				
General Government				
Public Safety and Correction				
Education				
Economic Development	$88,981	$88,981	88,981	
Natural Resources				
Total Expenditures	$88,981	$88,981	88,981	
Revenues Over (Under) Expenditures			(88,909)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			88,935	
Capital Lease Acquisitions				
Sale of Capital Assets				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)			88,935	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			26	
Reconciling Items				
Changes Affected by Accrued Revenues			18,552	
Changes Affected by Accrued Expenditures			(18,552)	
Fund Balances - Beginning of Year, as Restated			25	
Fund Balances - End of Year			$51	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$4,800	$4,800	$4,800	
129,822	129,822	129,822	
133,782	133,782	133,782	
44,364	44,364	44,364	
459,140	459,140	459,140	
14,630	14,630	14,630	
22,538	22,538	22,538	
$809,076	$809,076	809,076	
$223,269	$223,856	193,150	$30,706
80,903	81,224	70,809	10,415
280,315	285,783	242,843	42,940
320,154	322,167	284,318	37,849
220,679	228,930	173,633	55,297
$1,125,320	$1,141,960	964,753	$177,207
		(155,677)	
		142,065	
		224	
		1,259	
		43,525	
		(73,770)	
		113,303	
		(42,374)	
		27,279	
		(14,915)	
		404,272	
		$374,262	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Permanent Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Public School Endowment			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sale of Goods and Services	$39,670	$39,670	$39,670	
Investment Income	(16,423)	(16,423)	(16,423)	
Total Revenues	$23,247	$23,247	23,247	
EXPENDITURES				
Natural Resources	$18,666	$18,692	17,654	$1,038
Total Expenditures	$18,666	$18,692	17,654	$1,038
Revenues Over (Under) Expenditures			5,593	
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out			(27,022)	
Total Other Financing Sources (Uses)			(27,022)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(21,429)	
Reconciling Items				
Changes Affected by Accrued Revenues			(1)	
Changes Affected by Accrued Expenditures			222	
Fund Balances - Beginning of Year			763,549	
Fund Balances - End of Year			$742,341	

Pooled Endowment				Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$35,418	$35,418	$35,418		$75,088	$75,088	$75,088	
(7,362)	(7,362)	(7,362)		(23,785)	(23,785)	(23,785)	
$28,056	$28,056	28,056		$51,303	$51,303	51,303	
$7,239	$7,249	6,846	$403	$25,905	$25,941	24,500	$1,441
$7,239	$7,249	6,846	$403	$25,905	$25,941	24,500	$1,441
		21,210				26,803	
		352				352	
		(12,099)				(39,121)	
		(11,747)				(38,769)	
		9,463				(11,966)	
		(352)				(353)	
		(192)				30	
		377,790				1,141,339	
		$386,709				$1,129,050	

GREAT SEAL OF
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NONMAJOR ENTERPRISE FUNDS account for the operation of state agencies that provide goods or services to the general public and finance their operations primarily through user charges. The following provides a brief description of the nonmajor enterprise funds.

The State Lottery was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by *Idaho Code*, Section 67-7434.

The Liquor Dispensary provides control over the distribution, sale, and consumption of alcoholic beverages. Per *Idaho Code*, Section 23-404, after deducting administrative and operating costs for the Liquor Dispensary, distributions are made to cities, counties, the General Fund, and various other funds of the State.

The Correctional Industries provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	$2,560			$2,560
Pooled Cash and Investments		$16,576	$3,813	20,389
Accounts Receivable, Net	1,611	65	693	2,369
Interfund Receivables			151	151
Inventories and Prepaid Items	738	11,301	1,783	13,822
Total Current Assets	4,909	27,942	6,440	39,291
Noncurrent Assets				
Restricted Cash and Cash Equivalents	34,624			34,624
Capital Assets, Net	711	5,093	2,179	7,983
Total Noncurrent Assets	35,335	5,093	2,179	42,607
Total Assets	$40,244	$33,035	$8,619	$81,898
LIABILITIES				
Current Liabilities				
Accounts Payable	$1,156	$5,141	$408	$6,705
Payroll and Related Liabilities	95	380	91	566
Interfund Payables		2,000		2,000
Due to Other Entities		4,194		4,194
Unearned Revenue			15	15
Other Accrued Liabilities	3,405		86	3,491
Capital Leases Payable	47			47
Compensated Absences Payable	123	506	86	715
Total Current Liabilities	4,826	12,221	686	17,733
Noncurrent Liabilities				
Capital Leases Payable	131			131
Other Long-Term Obligations	62	201	36	299
Total Noncurrent Liabilities	193	201	36	430
Total Liabilities	5,019	12,422	722	18,163
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	533	5,093	2,179	7,805
Restricted for:				
Other Purposes	34,692			34,692
Unrestricted		15,520	5,718	21,238
Total Net Assets	35,225	20,613	7,897	63,735
Total Liabilities and Net Assets	$40,244	$33,035	$8,619	$81,898

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees		$1		$1
Sale of Goods and Services	$137,440	128,290	$7,529	273,259
Other Income	50	22		72
Total Operating Revenues	137,490	128,313	7,529	273,332
OPERATING EXPENSES				
Personnel Costs	2,475	9,647	2,167	14,289
Services and Supplies	17,586	74,888	4,731	97,205
Benefits, Awards, and Premiums	81,464			81,464
Depreciation	167	212	248	627
Other Expenses	372	3,332	428	4,132
Total Operating Expenses	102,064	88,079	7,574	197,717
Operating Income (Loss)	35,426	40,234	(45)	75,615
NONOPERATING REVENUES (EXPENSES)				
Investment Income	174	859	205	1,238
Interest Expense	(1)			(1)
Intergovernmental Distributions		(24,397)		(24,397)
Total Nonoperating Revenues (Expenses)	173	(23,538)	205	(23,160)
Income (Loss) Before Transfers	35,599	16,696	160	52,455
Transfers Out	(34,000)	(13,729)		(47,729)
Change in Net Assets	1,599	2,967	160	4,726
Total Net Assets - Beginning of Year	33,626	17,646	7,737	59,009
Total Net Assets - End of Year	$35,225	$20,613	$7,897	$63,735

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$137,181	$128,294	$7,439	$272,914
Payments to Suppliers	(17,873)	(78,890)	(4,556)	(101,319)
Payments to Employees	(2,424)	(9,343)	(2,151)	(13,918)
Payments for Interfund Services		(600)		(600)
Payments for Benefits, Awards, and Claims	(81,479)			(81,479)
Net Cash Provided (Used) by Operating Activities	35,405	39,461	732	75,598
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(24,294)		(24,294)
Transfers Out	(34,000)	(13,729)		(47,729)
Net Cash Provided (Used) by Noncapital Financing Activities	(34,000)	(38,023)		(72,023)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of Bonds and Notes	(17)			(17)
Proceeds from Disposition of Capital Assets	23			23
Acquisition and Construction of Capital Assets	(340)	(1,784)	(1,259)	(3,383)
Net Cash Provided (Used) by Capital and Related Financing Activities	(334)	(1,784)	(1,259)	(3,377)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	174	859	205	1,238
Net Cash Provided (Used) by Investing Activities	174	859	205	1,238
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	1,245	513	(322)	1,436
Beginning Cash, Cash Equivalents, and Pooled Cash	35,939	16,063	4,135	56,137
Ending Cash, Cash Equivalents, and Pooled Cash	$37,184	$16,576	$3,813	$57,573
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$35,426	$40,234	($45)	$75,615
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	167	212	248	627
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	2,315	(19)	(48)	2,248
Inventories and Prepaid Items	140	(1,639)	310	(1,189)
Accounts Payable/Interfund Payables	(2,400)	369	262	(1,769)
Unearned Revenue			(42)	(42)
Compensated Absences		19	(31)	(12)
Other Accrued Liabilities	(243)	285	78	120
Net Cash Provided (Used) by Operating Activities	$35,405	$39,461	$732	$75,598

Noncash Transactions (dollars in thousands):

Lottery acquired capital assets of $194 through capital lease.

INTERNAL SERVICE FUNDS account for the operation of state agencies which provide goods or services to other state agencies and governmental units on a cost-reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The Group Insurance Fund, created by *Idaho Code,* Section 67-5771, is administered by the Department of Administration. The fund accounts for health insurance for all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

The Risk Management Fund, created by *Idaho Code,* Section 67-5776, accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and insurance purchased from commercial carriers.

The General Services Fund, created by *Idaho Code,* Sections 67-5703, 67-5744, and 67-3516, accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The Data Processing Services Fund, created by *Idaho Code,* Section 67-1021, accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Pooled Cash and Investments	$67,166	$5,687	$7,950	$1,455	$82,258
Securities Lending Collateral	10,535	5,865			16,400
Accounts Receivable, Net			63		63
Interfund Receivables		44	188	598	830
Inventories and Prepaid Items		435	1,423	1,205	3,063
Other Current Assets	197	109	1		307
Total Current Assets	77,898	12,140	9,625	3,258	102,921
Noncurrent Assets					
Investments	24,552	13,668			38,220
Capital Assets, Net	7	7	18,322	744	19,080
Total Noncurrent Assets	24,559	13,675	18,322	744	57,300
Total Assets	$102,457	$25,815	$27,947	$4,002	$160,221
LIABILITIES					
Current Liabilities					
Accounts Payable			$615	$67	$682
Payroll and Related Liabilities	$27		292	165	484
Unearned Revenue	12,631		24	87	12,742
Obligations Under Securities Lending	10,535	$5,865			16,400
Other Accrued Liabilities	21	12	179		212
Capital Leases Payable			24	92	116
Compensated Absences Payable	15	15	419	263	712
Bonds and Notes Payable			95		95
Policy Claim Liabilities	3,056	5,991			9,047
Total Current Liabilities	26,285	11,883	1,648	674	40,490
Noncurrent Liabilities					
Capital Leases Payable			27	21	48
Bonds and Notes Payable			3,444		3,444
Policy Claim Liabilities		11,117			11,117
Other Long-Term Obligations	5	8	116	55	184
Total Noncurrent Liabilities	5	11,125	3,587	76	14,793
Total Liabilities	26,290	23,008	5,235	750	55,283
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	7	7	14,732	631	15,377
Restricted for:					
Claims and Judgments	78,159				78,159
Unrestricted	(1,999)	2,800	7,980	2,621	11,402
Total Net Assets	76,167	2,807	22,712	3,252	104,938
Total Liabilities and Net Assets	$102,457	$25,815	$27,947	$4,002	$160,221

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	$183,278	$7,762	$21,905	$6,321	$219,266
Grants and Contributions	1,388		50	78	1,516
Other Income	1	47	37	1,104	1,189
Total Operating Revenues	184,667	7,809	21,992	7,503	221,971
OPERATING EXPENSES					
Personnel Costs	274	404	6,884	3,787	11,349
Services and Supplies	345	2,499	12,295	2,978	18,117
Benefits, Awards, and Premiums	197,673	5,840			203,513
Depreciation	1	1	1,429	439	1,870
Other Expenses	104	283	2,301	59	2,747
Total Operating Expenses	198,397	9,027	22,909	7,263	237,596
Operating Income (Loss)	(13,730)	(1,218)	(917)	240	(15,625)
NONOPERATING REVENUES (EXPENSES)					
Investment Income	5,785	1,386	376	95	7,642
Interest Expense	(529)	(295)	(200)	(17)	(1,041)
Gain (Loss) on Sale of Capital Assets			(107)		(107)
Total Nonoperating Revenues (Expenses)	5,256	1,091	69	78	6,494
Income (Loss) Before Transfers	(8,474)	(127)	(848)	318	(9,131)
Transfers In			1,830		1,830
Transfers Out			(1,455)		(1,455)
Change in Net Assets	(8,474)	(127)	(473)	318	(8,756)
Total Net Assets - Beginning of Year, as Restated	84,641	2,934	23,185	2,934	113,694
Total Net Assets - End of Year	$76,167	$2,807	$22,712	$3,252	$104,938

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for Interfund Services	$185,231	$7,803
Receipts from Grants and Contributions	1,388	
Payments to Suppliers	(280)	(331)
Payments to Employees	(250)	(409)
Payments for Interfund Services	(169)	(296)
Payments for Benefits, Awards, and Claims	(197,301)	(3,915)
Net Cash Provided (Used) by Operating Activities	(11,381)	2,852
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In		
Transfers Out		
Interest Paid		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of Bonds and Notes		
Capital Lease Payments		
Acquisition and Construction of Capital Assets		
Net Cash Provided (Used) by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	5,316	1,125
Purchase of Investments	(1,118)	(622)
Other Investing Activities	(508)	(283)
Net Cash Provided (Used) by Investing Activities	3,690	220
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(7,691)	3,072
Beginning Cash, Cash Equivalents and Pooled Cash	74,857	2,615
Ending Cash, Cash Equivalents, and Pooled Cash	$67,166	$5,687
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	($13,730)	($1,218)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1	1
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables		(6)
Inventories and Prepaid Items		2,155
Other Current Assets	(1)	
Accounts Payable/Interfund Payables		
Unearned Revenue	1,953	
Compensated Absences	1	2
Policy Claim Liabilities	372	1,925
Other Accrued Liabilities	23	(7)
Net Cash Provided (Used) by Operating Activities	($11,381)	$2,852

Noncash Transactions (dollars in thousands):

Investments increased in fair value by $439 for Group Insurance and $244 for Risk Management. General Services acquired capital assets of $4,334 through state transfers and disposed of capital assets at a loss of $107. Data Processing Services reduced a prepaid item related to a prior-year capital lease for equipment in the amount of $38.

General Services	Data Processing Services	Total
$21,692	$7,695	$222,421
50	78	1,516
(12,631)	(3,221)	(16,463)
(6,689)	(3,688)	(11,036)
(2,010)	(76)	(2,551)
		(201,216)
412	788	(7,329)
1,830		1,830
(1,455)		(1,455)
(196)	(8)	(204)
179	(8)	171
(127)		(127)
(133)	(25)	(158)
(172)	(630)	(802)
(432)	(655)	(1,087)
376	95	6,912
		(1,740)
		(791)
376	95	4,381
535	220	(3,864)
7,415	1,235	86,122
$7,950	$1,455	$82,258
($917)	$240	($15,625)
1,429	439	1,870
(200)	302	96
(34)	(327)	1,794
		(1)
(1)	67	66
(50)	(32)	1,871
17	10	30
		2,297
168	89	273
$412	$788	($7,329)

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FIDUCIARY FUNDS report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans. The State's pension trust funds include the following:

The PERSI Base Plan and **the Firefighters' Retirement Fund** are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to survivors of eligible members or beneficiaries.

The Judges' Retirement Fund provides retirement benefits to retired justices, judges, and allowances to surviving spouses.

The Defined Contribution 414(K) Plan and **the Defined Contribution 401(K) Plan** are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

The Sick Leave Insurance Reserve-State Fund and **the Sick Leave Insurance Reserve-Schools Fund** are trust funds that provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

INVESTMENT TRUST FUNDS account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

The Local Government Investment Pool is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Local Government Investment Pool participants.

The Diversified Bond Fund is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Diversified Bond Fund participants.

AGENCY FUNDS account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency funds:

The Custodial Fund accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

The Payroll Fund is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2008
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Defined Contribution 414(k)
ASSETS				
Cash and Cash Equivalents	$607	$16	$765	
Pooled Cash and Investments	2,282	60	439	
Investments:				
Pooled Short Term	686,318	18,113		
Fixed Income Investments	2,882,062	76,062	19,929	
Marketable Securities	5,683,535	149,997	39,009	
Mutual Funds and Private Equities	698,353	18,431		$63,767
Mortgages and Real Estate	776,617	20,497		
Receivables:				
Investments Sold	953,579	25,075		
Contributions	4,728	62	52	
Interest and Dividends	45,608	1,199	28	272
Interfund Receivables				
Other Receivables			109	
Other Assets	37,136			
Capital Assets, Net	2,551			
Total Assets	11,773,376	309,512	60,331	64,039
LIABILITIES				
Accounts Payable	620		22	
Interfund Payables	1,585			
Investments Purchased	1,340,457	35,248		
Other Accrued Liabilities	9,379	241		
Total Liabilities	1,352,041	35,489	22	
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	10,421,335	274,023	60,309	64,039
Postemployment Healthcare Benefits				
Total Net Assets	$10,421,335	$274,023	$60,309	$64,039

Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
$18			$1,406
	$21	$34	2,836
960			705,391
	23,895	39,395	3,041,343
	54,572	89,972	6,017,085
244,581			1,025,132
			797,114
			978,654
519			5,361
871			47,978
	465	1,120	1,585
			109
	367	713	38,216
			2,551
246,949	79,320	131,234	12,664,761
			642
			1,585
			1,375,705
	10	16	9,646
	10	16	1,387,578
246,949			11,066,655
	79,310	131,218	210,528
$246,949	$79,310	$131,218	$11,277,183

Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Defined Contribution 414(k)
ADDITIONS				
Contributions:				
Member	$170,711	$23	$321	
Employer	273,410	12,867	374	
Transfers In from Other Plans				
Total Contributions	444,121	12,890	695	
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	(779,405)	(20,495)	(5,079)	($4,902)
Interest, Dividends, and Other	323,514	8,507	1,929	1,973
Less Investment Expense:				
Investment Activity Expense	(47,810)	(1,257)	(216)	(184)
Net Investment Income	(503,701)	(13,245)	(3,366)	(3,113)
Miscellaneous Income	215		1,520	
Total Additions	(59,365)	(355)	(1,151)	(3,113)
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	479,812	17,163	3,941	1,750
Transfers Out to Other Plans				1,291
Administrative Expense	5,906		36	
Total Deductions	485,718	17,163	3,977	3,041
Change in Net Assets Held in Trust for:				
Employee Pension Benefits	(545,083)	(17,518)	(5,128)	(6,154)
Employee Postemployment Healthcare Benefits				
Net Assets - Beginning of Year	10,966,418	291,541	65,437	70,193
Net Assets - End of Year	$10,421,335	$274,023	$60,309	$64,039

Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
$34,869			$205,924
218	$5,682	$13,151	305,702
8,946			8,946
44,033	5,682	13,151	520,572
(20,059)	(10,856)	(17,961)	(858,757)
6,579			342,502
27	(23)	(38)	(49,501)
(13,453)	(10,879)	(17,999)	(565,756)
	11	17	1,763
30,580	(5,186)	(4,831)	(43,421)
3,882	3,629	9,238	519,415
5,982			7,273
	30	49	6,021
9,864	3,659	9,287	532,709
20,716			(553,167)
	(8,845)	(14,118)	(22,963)
226,233	88,155	145,336	11,853,313
$246,949	$79,310	$131,218	$11,277,183

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2008
(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Investments:			
Pooled Short Term	$673,995	$3,090	$677,085
Fixed Income Investments	866,241	28,320	894,561
Mortgages and Real Estate		47,580	47,580
Securities Lending Collateral	383,101	33,897	416,998
Receivables:			
Interest and Dividends	7,981	633	8,614
Total Assets	1,931,318	113,520	2,044,838
LIABILITIES			
Accounts Payable	50	3	53
Obligations Under Securities Lending	383,101	33,897	416,998
Other Accrued Liabilities	4,554	361	4,915
Total Liabilities	387,705	34,261	421,966
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	1,543,613	79,259	1,622,872
Total Net Assets	$1,543,613	$79,259	$1,622,872

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions:			
Participant Deposits	$2,821,729	$8,660	$2,830,389
Total Contributions	2,821,729	8,660	2,830,389
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	13,521	1,575	15,096
Interest, Dividends, and Other	51,096	4,059	55,155
Securities Lending Income	20,788	1,847	22,635
Less Investment Expense:			
Investment Activity Expense	(477)	(194)	(671)
Securities Lending Interest Expense	(20,329)	(1,769)	(22,098)
Net Investment Income	64,599	5,518	70,117
Total Additions	2,886,328	14,178	2,900,506
DEDUCTIONS			
Earnings Distribution	58,616	3,722	62,338
Participant Withdrawals	2,432,673	29,337	2,462,010
Total Deductions	2,491,289	33,059	2,524,348
Change in Net Assets Held in Trust for:			
External Investment Pool Participants	395,039	(18,881)	376,158
Net Assets - Beginning of Year	1,148,574	98,140	1,246,714
Net Assets - End of Year	$1,543,613	$79,259	$1,622,872

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2008
(dollars in thousands)

	Custodial	Payroll	Total
ASSETS			
Cash and Cash Equivalents	$6,733		$6,733
Pooled Cash and Investments	25,838	$4,009	29,847
Investments:			
Fixed Income Investments	222,842		222,842
Other Investments	5,715		5,715
Securities Lending Collateral	2,452		2,452
Receivables:			
Interest and Dividends	45		45
Total Assets	$263,625	$4,009	$267,634
LIABILITIES			
Payroll and Related Liabilities		$4,009	$4,009
Due to Other Entities	$734		734
Amounts Held in Trust for Others	255,638		255,638
Obligations Under Securities Lending	2,452		2,452
Other Accrued Liabilities	4,801		4,801
Total Liabilities	$263,625	$4,009	$267,634

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
CUSTODIAL				
Assets				
Cash and Cash Equivalents	$5,431	$6,733	$5,431	$6,733
Pooled Cash and Investments	21,757	387,430	383,349	25,838
Fixed Income Investments	214,605	222,842	214,605	222,842
Other Investments	8,121	174	2,580	5,715
Securities Lending Collateral		2,452		2,452
Interest and Dividends	70	46	71	45
Total Assets	$249,984	$619,677	$606,036	$263,625
Liabilities				
Due to Other Entities	$712	$7,960	$7,938	$734
Amounts Held in Trust for Others	246,440	329,720	320,522	255,638
Obligations Under Securities Lending		2,452		2,452
Other Accrued Liabilities	2,832	24,904	22,935	4,801
Total Liabilities	$249,984	$365,036	$351,395	$263,625
PAYROLL				
Assets				
Pooled Cash and Investments	$6,009	$1,275,529	$1,277,529	$4,009
Total Assets	$6,009	$1,275,529	$1,277,529	$4,009
Liabilities				
Payroll and Related Liabilities	$6,009	$1,737,039	$1,739,039	$4,009
Total Liabilities	$6,009	$1,737,039	$1,739,039	$4,009
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	$5,431	$6,733	$5,431	$6,733
Pooled Cash and Investments	27,766	1,662,959	1,660,878	29,847
Fixed Income Investments	214,605	222,842	214,605	222,842
Other Investments	8,121	174	2,580	5,715
Securities Lending Collateral		2,452		2,452
Interest and Dividends	70	46	71	45
Total Assets	$255,993	$1,895,206	$1,883,565	$267,634
Liabilities				
Payroll and Related Liabilities	$6,009	$1,737,039	$1,739,039	$4,009
Due to Other Entities	712	7,960	7,938	734
Amounts Held in Trust for Others	246,440	329,720	320,522	255,638
Obligations Under Securities Lending		2,452		2,452
Other Accrued Liabilities	2,832	24,904	22,935	4,801
Total Liabilitites	$255,993	$2,102,075	$2,090,434	$267,634

Statistical Section

Photo Source: Toni Lund

The Festival at Sandpoint

Several classical music enthusiasts decided to bring symphonic music to the town of Sandpoint in 1982. The Festival at Sandpoint kicked off its first internationally renowned summer concert series a year later. The Festival now draws as many as 20,000 attendees each season. Sandpoint hosts the event each year on the shores of Lake Pend Oreille from Thursday through Sunday the first two weekends in August. Although uncommon for a town of 6,000 residents to host world-class musical artists year after year, the Festival has endeavored to bring great music of every genre to its hometown.

In addition to the summer concert series, the 1999 Festival at Sandpoint launched a fifth-grade Music Outreach Program, enhancing the organization's educational mission. This successful program features performances from the festival's classical concerts and a study guide to take home, with a voucher for three free tickets to attend the Festival's Grand Finale concert. The Festival's newest educational undertaking is the Instrument Assistance Program which assists elementary students with rental instruments so they can participate in sixth-grade band at their schools.

Other activities included are games, face painting, and the popular "Instrument Petting Zoo" where young people can test an assortment of instruments for size. The Festival offers an affordable opportunity for children and their families to share a musical experience. The Festival's goal is to continue to make exceptional musicians and great performances accessible to the community and the surrounding region.

Data Sources:
http://www.festivalatsandpoint.com
http://www.sandpoint.com/entertainment/festival.asp

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Report.

Schedule 1 - Net Assets by Component

Fiscal Years 2002-2008

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)
Governmental Activities					
Invested in Capital Assets, Net of Related Debt[1]	$3,502,470	$3,620,644	$3,759,651	$3,982,692	$4,183,431
Restricted[2]	1,006,427	1,044,171	1,230,263	1,255,613	1,354,677
Unrestricted[3]	365,980	253,254	375,497	603,987	882,055
Total Governmental Activities Net Assets	$4,874,877	$4,918,069	$5,365,411	$5,842,292	$6,420,163
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	$392,358	$418,240	$411,159	$447,206	$467,275
Restricted[4]	602,218	653,739	637,531	619,352	720,721
Unrestricted[5]	109,473	33,872	84,174	146,942	163,636
Total Business-Type Activities Net Assets	$1,104,049	$1,105,851	$1,132,864	$1,213,500	$1,351,632
Primary Government					
Invested in Capital Assets, Net of Related Debt	$3,894,828	$4,038,884	$4,170,810	$4,429,898	$4,650,706
Restricted	1,608,645	1,697,910	1,867,794	1,874,965	2,075,398
Unrestricted	475,453	287,126	459,671	750,929	1,045,691
Total Primary Government Net Assets	$5,978,926	$6,023,920	$6,498,275	$7,055,792	$7,771,795

NOTE: The State implemented GASB Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

[1]From fiscal years 2005 to 2008 the governmental activities' investments in capital assets increased primarily due to increases recorded by the Idaho Transportation Department for land and infrastructure and capital expenditures by the Idaho State Building Authority for buildings.

[2]In fiscal year 2008 governmental activities' restricted net assets increased mainly due to increased operating grants for health care assistance, education, and infrastructure. In fiscal year 2007 governmental activities' restricted net assets increased mainly due to endowment fund investment income, receipts from timber sales and land leases, and increased operating grants for health care assistance and infrastructure. In fiscal year 2006 restricted net assets increased mainly due to endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2004 restricted net assets increased primarily due to an increase in endowment fund investment income.

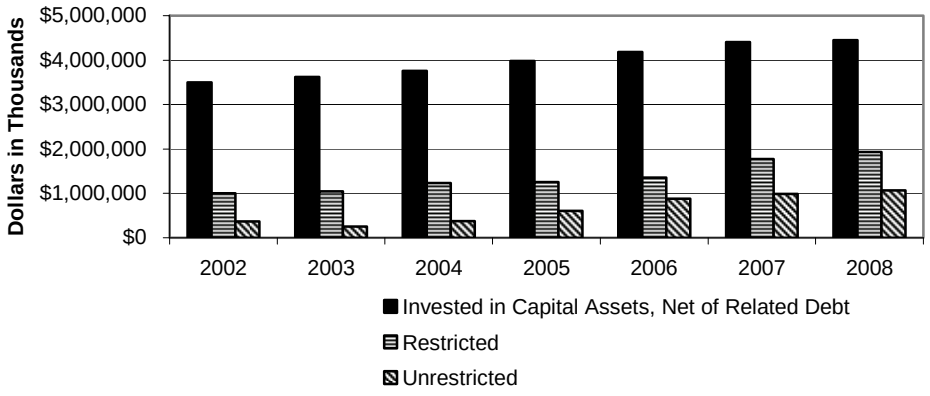
[3]In fiscal year 2008 the governmental activities' unrestricted net assets increased due to an increase in sales tax revenue and an increase in unrestricted investment earnings. In fiscal year 2007 the governmental activities' unrestricted net assets increased due to an increase in individual income taxes and an increase in sales tax. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property tax by shifting public schools' maintenance and operating expenses from counties to the state. In fiscal year 2006 unrestricted net assets increased mainly due to an increase in individual and corporate income taxes. In fiscal years 2004 and 2005 the unrestricted net assets increased due to a temporary sales tax increase and a strengthening economy. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet the State's current year obligations.

[4]In fiscal year 2008 business-type activities' restricted net assets increased mainly due to increases in grant revenues for colleges and universities and the Loan fund. In fiscal years 2007 and 2006 business-type activities' restricted net assets increased mainly due to increases in unemployment compensation assessments and decreases in unemployment claims.

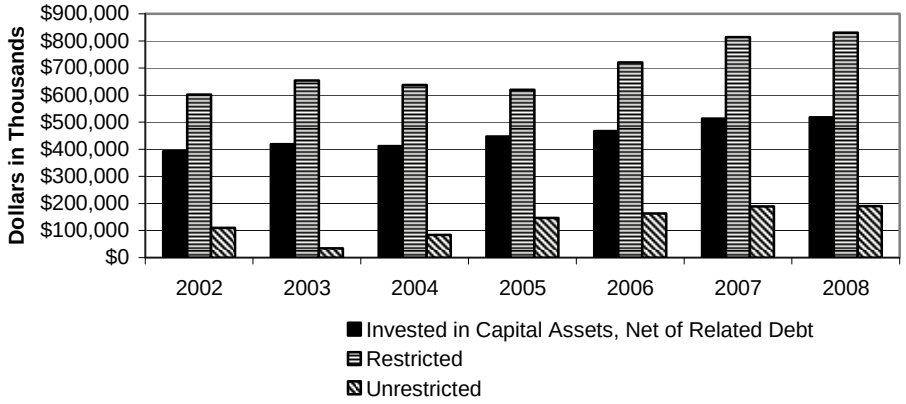
[5]In fiscal year 2007 business-type activities' unrestricted net assets increased due to an increase in capital contributions and student tuition and fees for the colleges and universities. In fiscal year 2005 unrestricted net assets increased primarily due to increased student tuition and fees for the colleges and universities. In fiscal year 2004 unrestricted net assets increased due to grant revenues for colleges and universities. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet current year obligations.

2007 (as restated)	2008
$4,406,128	$4,450,353
1,773,496	1,934,455
988,163	1,066,242
$7,167,787	$7,451,050
$513,584	$517,949
813,880	830,375
189,577	190,656
$1,517,041	$1,538,980
$4,919,712	$4,968,302
2,587,376	2,764,830
1,177,740	1,256,898
$8,684,828	$8,990,030

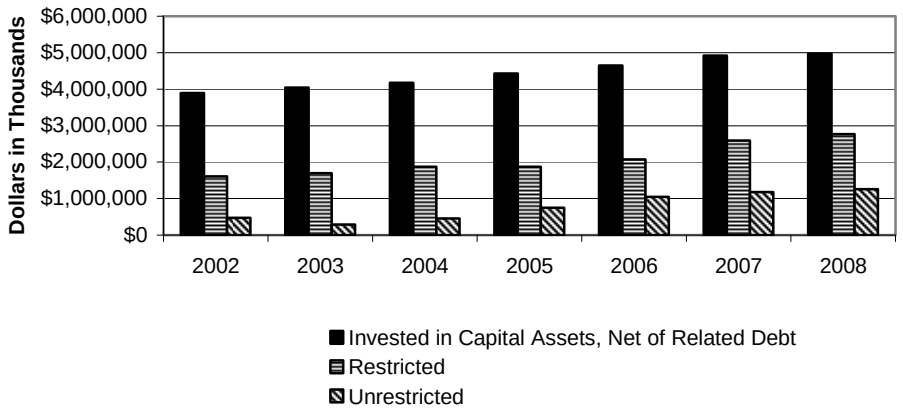
Governmental Activities Net Assets by Component
Fiscal Years 2002-2008



Business-Type Activities Net Assets by Component
Fiscal Years 2002-2008



Primary Government Net Assets by Component
Fiscal Years 2002-2008



Schedule 2 - Changes in Net Assets

Fiscal Years 2002-2008

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)
Governmental Activities:					
Expenses					
General Government	$339,024	$305,709	$349,990	$393,172	$420,772
Public Safety and Correction	239,336	238,050	241,550	229,158	266,036
Health and Human Services[1]	1,242,566	1,347,997	1,507,865	1,600,692	1,676,706
Education[2]	1,244,030	1,252,020	1,287,879	1,331,795	1,385,448
Economic Development	577,468	587,152	600,341	616,149	629,499
Natural Resources	215,537	170,761	186,594	205,635	213,599
Interest Expense	16,652	18,911	16,556	18,175	21,130
Total Expenses	3,874,613	3,920,600	4,190,775	4,394,776	4,613,190
Program Revenues					
Charges for Services:					
General Government	70,953	97,188	133,855	96,174	92,873
Economic Development	198,706	197,041	198,643	203,550	215,735
Natural Resources	115,256	122,034	123,613	123,183	146,481
Other Activities	85,886	102,874	103,702	118,346	117,865
Operating Grants and Contributions[3]	1,230,063	1,461,507	1,787,214	1,832,487	1,899,754
Capital Grants and Contributions	3,564	1,882	3,284	5,211	8,624
Total Program Revenues	1,704,428	1,982,526	2,350,311	2,378,951	2,481,332
Total Governmental Activities Net Program Expense	(2,170,185)	(1,938,074)	(1,840,464)	(2,015,825)	(2,131,858)
General Revenues and Other Changes in Net Assets					
Taxes:					
Sales Tax[4]	789,110	860,526	1,039,746	1,135,210	1,061,861
Individual and Corporate Taxes[5]	877,594	922,790	991,520	1,167,799	1,428,996
Fuel Tax	231,105	223,515	215,096	220,801	224,373
Other Taxes	133,329	160,935	182,606	185,375	182,112
Tobacco Settlement	26,602	23,772	23,004	23,145	21,404
Grants Not Restricted to Specific Programs			50,007		
Unrestricted Investment Earnings	21,008	13,457	12,020	15,595	34,734
Transfers	(228,921)	(223,729)	(226,193)	(255,219)	(243,751)
Total General Revenues and Other Changes in Net Assets	1,849,827	1,981,266	2,287,806	2,492,706	2,709,729
Total Governmental Activities Change in Net Assets	($320,358)	$43,192	$447,342	$476,881	$577,871
Business-Type Activities:					
Expenses					
College and University	$665,908	$667,324	$699,674	$753,689	$780,066
Unemployment Compensation[6]	182,343	179,423	164,950	142,862	109,113
Loan	1,369	1,072	913	654	719
State Lottery	71,848	76,310	85,046	89,424	97,605
Liquor Dispensary	64,593	68,664	75,747	79,817	93,204
Correctional Industries	6,053	5,427	5,835	5,655	6,239
Total Expenses	992,114	998,220	1,032,165	1,072,101	1,086,946
Revenues					
Charges for Services:					
College and University	192,388	243,292	250,417	283,463	315,924
Unemployment Compensation[6]	153,031	124,379	130,789	143,828	159,365
State Lottery	89,228	98,267	109,443	113,613	131,305
Other Activities	86,184	89,833	96,490	108,600	124,600
Operating Grants and Contributions	174,575	198,007	222,013	228,049	229,902
Capital Grants and Contributions[7]	42,488	22,515	23,833	19,965	20,231
Total Revenues	737,894	776,293	832,985	897,518	981,327
Total Business-Type Activities Net Program Expense	(254,220)	(221,927)	(199,180)	(174,583)	(105,619)
General Revenues and Other Changes in Net Assets					
Transfers	271,104	223,729	226,193	255,219	243,751
Total General Revenues and Other Changes in Net Assets	271,104	223,729	226,193	255,219	243,751
Total Business-Type Activities Change in Net Assets	$16,884	$1,802	$27,013	$80,636	$138,132
Total Primary Government Change in Net Assets	($303,474)	$44,994	$474,355	$557,517	$716,003

[1]From fiscal years 2002 to 2008 health and human services' expenses have reflected continuous growth due to rising Medicaid and income assistance payments.

[2]In fiscal years 2008 and 2007 education expenses increased due to personnel, operating, and facilities maintenance expenses.

[3]From fiscal years 2002 to 2008 operating grants and contributions have risen primarily due to grant increases benefiting health, transportation, education, and natural resources.

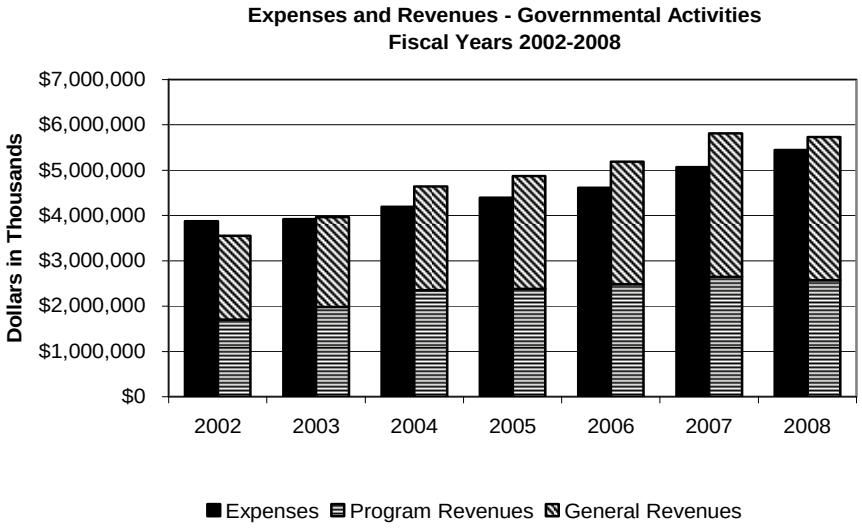
[4]In fiscal year 2007 the state sales tax increased from 5 to 6 percent. From fiscal years 2003 to 2005 sales tax revenues increased due to a temporary sales tax increase and increased consumer spending. The state sales tax increased from 5 to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005.

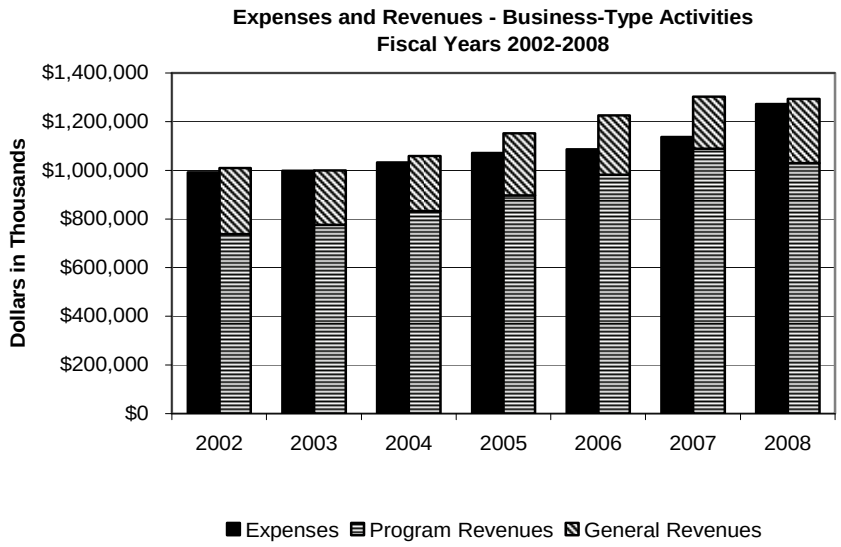
[5]In fiscal years 2007 and 2006 individual and corporate income taxes increased due to increased levels of employment and personal income.

[6]In fiscal year 2008 Unemployment Compensation revenues decreased due to a decrease in assessments and expenses increased due to higher unemployment claims. In fiscal year 2007 revenues increased due to increased assessments and investment income. In fiscal year 2006 expenses decreased due to fewer unemployment claims related to low unemployment.

[7]In fiscal year 2007 capital grants and contributions revenues increased due to an increase in capital contributions for the colleges and universities.

2007 (as restated)	2008
$403,506	$463,125
285,669	324,843
1,750,187	1,818,932
1,704,447	1,796,160
673,234	756,677
217,222	243,925
32,232	45,530
5,066,497	5,449,192
77,750	92,457
239,728	240,023
145,349	150,752
135,765	128,367
2,045,958	1,955,236
1,481	906
2,646,031	2,567,741
(2,420,466)	(2,881,451)
1,296,040	1,334,032
1,605,218	1,599,881
232,025	228,786
185,748	185,874
27,328	28,631
35,430	51,537
(213,699)	(264,027)
3,168,090	3,164,714
$747,624	$283,263
$815,373	$875,586
109,338	171,918
954	2,267
99,307	102,065
105,126	112,476
6,852	7,574
1,136,950	1,271,886
341,823	337,699
191,758	126,575
130,811	137,664
142,193	153,428
227,620	244,954
54,455	29,478
1,088,660	1,029,798
(48,290)	(242,088)
213,699	264,027
213,699	264,027
$165,409	$21,939
$913,033	$305,202





Schedule 3 - Fund Balances - Governmental Funds

Fiscal Years 1999-2008

(modified accrual basis of accounting, dollars in thousands)

	1999	2000	2001	2002 (as restated)	2003 (as restated)	2004 (as restated)
General Fund						
Reserved[1]	$31,236	$30,235	$55,064	$40,311	$16,248	$33,012
Unreserved[2]	240,755	444,791	519,321	288,810	170,076	302,106
Total General Fund[3]	271,991	475,026	574,385	329,121	186,324	335,118
All Other Governmental Funds						
Reserved[4]	118,593	87,863	70,819	722,033	784,150	893,308
Unreserved, Reported in:						
Special Revenue Funds[5]	272,841	245,723	250,225	255,214	248,629	273,142
Capital Projects						
Permanent Funds[6]				15,886	11,495	28,421
Total All Other Governmental Funds	391,434	333,586	321,044	993,133	1,044,274	1,194,871
Total Fund Balances, Governmental Funds	$663,425	$808,612	$895,429	$1,322,254	$1,230,598	$1,529,989

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

[1]In fiscal year 2007 the General Fund reserved fund balance increase is mainly due to the funding of the Millennium Permanent Endowment fund and the Capitol Restoration Project.

[2]In fiscal year 2008 the General Fund unreserved fund balance increase is mainly attributable to increased sales tax revenue, sales of goods and services, and investment income. In fiscal year 2007 the increase is mainly attributable to increased sales tax and individual income tax revenues. In fiscal year 2006 the increase is mainly attributable to increased personal and corporate income tax revenues. The increases in fiscal years 2005 and 2004 were due to a temporary sales tax increase and a strengthening economy.

[3]In fiscal years 2003 and 2002 Idaho's economy suffered during the national recession, as reflected in the decreased General Fund balances.

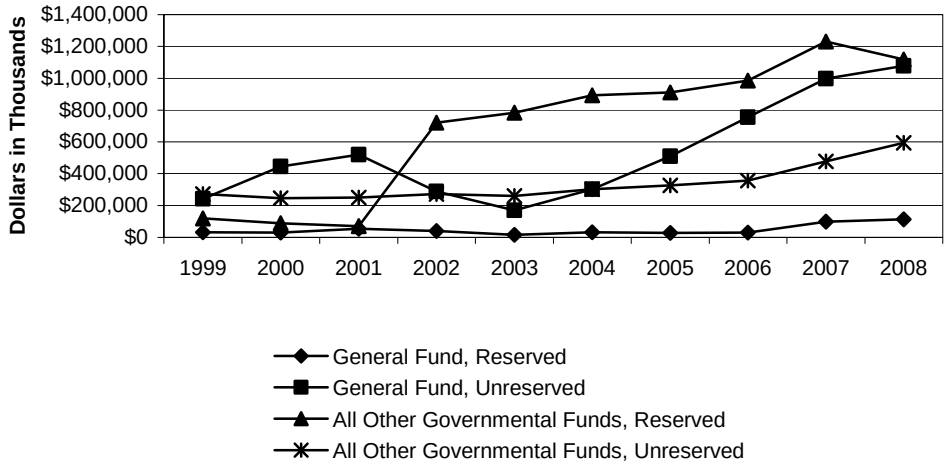
[4]In fiscal year 2008 the other governmental funds reserved fund balance decrease is mainly due to decreased endowment fund investment income. In fiscal year 2007 the increase is mainly due to increased endowment fund investment income and bond issuance by the Idaho State Building Authority. The increases in fiscal year 2006 were largely due to an increase in the fair value of endowment fund investments.

[5]In fiscal years 2008 and 2007 the increase in the unreserved special revenue funds balance was due to an increase in operating grants and contributions to Health and Welfare and the Idaho Transportation Department.

[6]In fiscal years 2007 and 2006 the increase in the unreserved permanent funds balance was due primarily to expendable endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2002 the Public School and Pooled Endowment funds were reclassified from non-expendable trust funds to permanent funds.

2005 (as restated)	2006 (as restated)	2007 (as restated)	2008
$28,703	$30,404	$98,908	$112,341
508,837	755,645	996,544	1,078,232
537,540	786,049	1,095,452	1,190,573
911,390	985,836	1,231,429	1,117,771
271,410	261,256	314,840	400,535
		25	51
53,992	94,651	163,125	194,335
1,236,792	1,341,743	1,709,419	1,712,692
$1,774,332	$2,127,792	$2,804,871	$2,903,265

Fund Balances - Governmental Funds
Fiscal Years 1999-2008



Schedule 4 - Changes in Fund Balances - Governmental Funds

Fiscal Years 1999-2008

(modified accrual basis of accounting, dollars in thousands)

	1999	2000	2001	2002 (as restated)	2003 (as restated)	2004 (as restated)
Revenues						
Sales Tax[1]	$712,314	$761,628	$778,162	$778,028	$864,509	$1,040,448
Individual and Corporate Taxes[2]	1,109,126	1,285,262	1,171,467	889,746	904,204	997,454
Other Taxes	385,481	406,781	412,171	362,546	387,820	397,950
Licenses, Permits, and Fees	168,189	179,089	214,509	212,733	230,599	240,323
Sale of Goods and Services	96,997	107,480	112,987	173,220	181,049	252,291
Grants and Contributions[3]	940,360	1,100,570	1,264,609	1,330,474	1,447,574	1,719,520
Investment Income[4]	103,199	102,169	96,525	(52,315)	49,681	135,718
Tobacco Settlement			22,441	26,602	23,772	22,848
Other Income	52,863	85,503	34,799	46,641	79,033	47,658
Total Revenues	3,568,529	4,028,482	4,107,670	3,767,675	4,168,241	4,854,210
Expenditures						
General Government	378,708	418,639	253,747	127,440	104,109	122,876
Public Safety and Correction	190,625	204,137	233,793	218,142	212,878	219,417
Health and Human Services[5]	835,528	911,642	1,078,943	1,206,910	1,315,668	1,468,736
Education[6]	1,134,474	1,169,920	1,226,922	1,219,332	1,240,835	1,279,486
Economic Development	404,604	421,421	436,532	326,868	347,280	307,312
Natural Resources	116,564	125,977	135,682	162,199	147,630	163,769
Capital Outlay[7]	324,188	350,656	401,518	353,389	401,279	436,133
Intergovernmental Revenue Sharing	207,332	235,804	259,360	342,501	315,444	385,698
Debt Service:						
Principal				4,850	6,915	8,061
Interest				11,587	12,511	8,069
Total Expenditures	3,592,023	3,838,196	4,026,497	3,973,218	4,104,549	4,399,557
Revenues Over (Under) Expenditures	(23,494)	190,286	81,173	(205,543)	63,692	454,653
Other Financing Sources (Uses)						
Bonds and Notes Issued	5,041		5,856	16,440	64,145	64,795
Premium/(Discount) on Bonds Issued				(144)	(763)	(864)
Capital Lease Acquisitions	19	130	669	8		
Payment to Refunded Bond Escrow Agent						
Sale of Capital Assets						6,909
Transfers In	1,222,166	404,084	484,088	547,785	525,453	553,181
Transfers Out	(1,191,819)	(378,217)	(458,235)	(776,385)	(744,183)	(779,283)
Total Other Financing Sources (Uses)	35,407	25,997	32,378	(212,296)	(155,348)	(155,262)
Net Changes in Fund Balances	$11,913	$216,283	$113,551	($417,839)	($91,656)	$299,391
Debt Service as a Percentage of Noncapital Expenditures				<1	<1	<1

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

[1]On October 1, 2006, the state sales tax rate increased from 5 to 6 percent. From May 1, 2003, to July 1, 2005, the legislature imposed a temporary sales tax increase from 5 to 6 percent.

[2]In fiscal years 2007 and 2006 individual and corporate income taxes increased due to increased levels of employment and personal income. In fiscal years 2001 and 2002 individual and corporate income taxes decreased due to a structural reduction in the state tax base and the national recession.

[3]Grants and contributions have steadily increased due to federal grants; mainly benefiting health, transportation, and education.

[4]In fiscal year 2008 investment income decreased largely due to a decrease in fair value of investments, mainly relating to the endowment funds. In fiscal years 2007 and 2006 investment income increased largely due an increase in fair value of investments to the endowment funds. The loss for fiscal year 2002 was due to the effects of the national recession and the resultant decrease in the fair value of investments, mainly relating to the endowment funds.

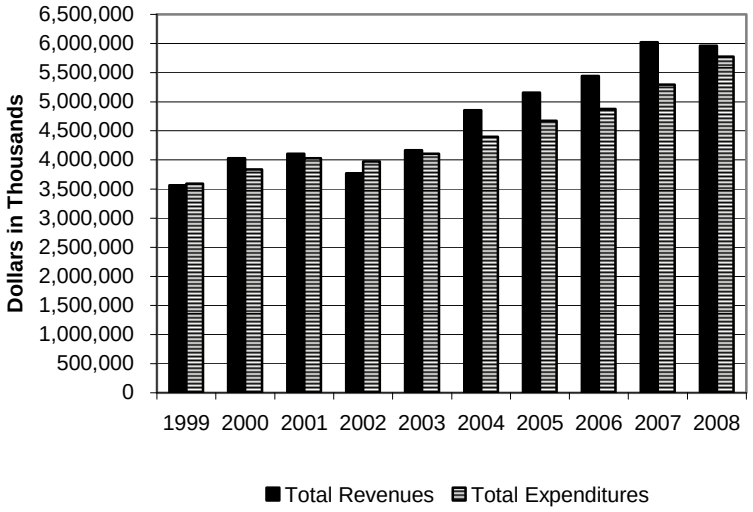
[5]Health and Human Services' expenditures have steadily risen due to increasing Medicaid and income assistance payments.

[6]In fiscal years 2008 and 2007 education expenses increased due to rising personnel, operating, and facilities maintenance expenses.

[7]In fiscal year 2008 the capital outlay expense increased mainly due to transportation infrastructure and state building expenses.

2005 (as restated)	2006 (as restated)	2007 (as restated)	2008
$1,137,138	$1,060,612	$1,300,416	$1,333,018
1,176,903	1,436,168	1,598,702	1,587,694
406,620	406,336	417,763	414,671
244,165	256,900	273,223	279,156
231,728	235,410	235,750	231,885
1,757,713	1,806,749	1,880,049	1,962,931
104,557	144,559	225,717	63,406
23,151	21,253	23,712	28,504
48,047	47,606	65,538	61,530
5,130,022	5,415,593	6,020,870	5,962,795
143,584	147,445	151,358	177,312
233,598	253,504	269,874	300,106
1,561,765	1,641,421	1,701,863	1,775,609
1,324,069	1,379,775	1,683,254	1,777,690
346,256	358,814	368,439	390,424
178,401	188,784	186,179	217,214
433,096	423,582	452,755	545,059
393,195	425,414	441,421	452,089
10,880	10,751	12,403	92,377
17,671	20,736	25,576	45,365
4,642,515	4,850,226	5,293,122	5,773,245
487,507	565,367	727,748	189,550
26	10,790	155,463	160,617
	(23)	6,533	
3,757	5,697		1,039
		(4,765)	
8,037	17,193	7,066	11,590
594,877	640,776	713,275	731,774
(849,861)	(886,340)	(928,241)	(996,176)
(243,164)	(211,907)	(50,669)	(91,156)
$244,343	$353,460	$677,079	$98,394
<1	<1	<1	2.5

Revenues and Expenditures - Governmental Funds
Fiscal Years 1999-2008



Schedule 5 - Revenue Base

Fiscal/Calendar Years 1999-2008 *(dollars in thousands)*

Taxable Sales by Industry	Fiscal Year					
	1999	2000	2001	2002	2003	2004
Commercial Farms	$5,075	$6,224	$5,449	$8,020	$7,674	$7,265
Agricultural/Forestry, Fishing, and Other	50,756	61,284	58,662	70,264	73,489	75,997
Mining	32,007	32,947	32,138	35,884	39,280	47,589
Construction	260,828	281,400	273,933	327,244	322,652	315,977
Manufacturing	1,060,137	969,768	994,325	1,063,164	1,150,728	1,012,159
Transportation and Public Utilities	170,342	202,097	224,342	247,881	176,603	226,260
Wholesale Trade	822,386	929,375	874,526	948,927	1,004,481	1,063,094
Retail Trade	9,605,074	10,165,734	9,567,159	11,020,633	11,386,198	11,968,267
Finance, Insurance, and Real Estate	163,235	191,574	171,804	133,105	123,765	116,476
Services	1,546,476	1,664,407	1,615,100	1,873,229	1,858,090	1,855,726
State and Local Government	378,660	407,500	394,094	1,720,162	523,861	620,550
Total Taxable Sales	$14,094,976	$14,912,310	$14,211,532	$17,448,513	$16,666,821	$17,309,360
Direct Sales Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%

Personal Income by Industry[1]	Calendar Year					
	1999	2000	2001	2002	2003	2004
Farm Earnings	$1,046,237	$866,537	$1,042,680	$953,330	$747,673	$1,013,175
Agricultural/Forestry, Fishing, and Other	359,948	356,736	383,005	365,290	370,170	376,425
Mining	143,555	136,607	115,930	109,675	121,693	140,332
Construction/Utilities	1,888,523	1,952,596	2,269,257	2,169,344	2,172,429	2,398,065
Manufacturing	3,427,735	3,989,283	3,453,229	3,389,391	3,450,110	3,636,190
Transportation	731,131	741,826	773,647	772,835	782,228	873,844
Wholesale Trade	973,896	1,061,767	1,120,456	1,111,561	1,142,258	1,224,888
Retail Trade	1,866,681	1,974,673	2,037,054	2,111,947	2,195,532	2,300,519
Finance, Insurance, and Real Estate	1,214,054	1,368,867	1,383,119	1,416,562	1,527,446	1,615,832
Services	6,118,144	6,840,158	7,495,498	7,950,164	8,203,449	9,010,761
Federal, Civilian	760,871	817,882	841,421	885,609	932,310	1,020,835
Military	300,167	309,966	329,684	402,061	461,639	512,325
State and Local Government	2,891,282	3,036,475	3,238,626	3,446,783	3,567,797	3,784,593
Other[2]	7,345,916	7,836,409	8,570,391	8,764,012	9,141,258	10,171,397
Total Personal Income	$29,068,140	$31,289,782	$33,053,997	$33,848,564	$34,815,992	$38,079,181
Total Direct Personal Income Tax Rate	8.0%	8.0%	7.6%	7.6%	7.6%	7.6%

Corporate Income by Category[3]	Calendar Year					
	1999	2000	2001	2002	2003	2004
Corporations	($554,300)	($51,141)	($1,677,005)	($1,889,357)	($233,472)	$62,838
Sub-S Corporations	31,775	50,385	39,893	28,494	39,253	74,857
Partnerships	(42,092)	(52,021)	(241,506)	(159,037)	(22,093)	(16,627)
Fiduciary	33,550	52,321	(10,005)	(26,256)	(120,714)	23,806
Total Corporate Income	($531,067)	($456)	($1,888,623)	($2,046,156)	($337,026)	$144,874
Direct Corporate Income Tax Rate	8.0%	8.0%	7.6%	7.6%	7.6%	7.6%

Vehicle Fuel Sales by Category[3] *(in thousands of gallons)*	Fiscal Year					
	1999	2000	2001	2002	2003	2004
Diesel				228,171	230,162	239,784
Gasoline				612,947	617,800	629,499
Propane				147	135	138
Natural Gas[4]				12	15	12
Aviation				3,021	2,778	2,926
Jet				30,081	29,401	26,921
Total Fuel Sales				874,379	880,291	899,280
Total Direct Fuel Tax Rate *(per gallon of fuel)*				$0.242	$0.243	$0.243

Sources: Taxable sales, corporate income, and vehicle fuel sales--Idaho State Tax Commission; Personal income--U.S. Bureau of Economic Analysis and the Idaho Division of Financial Management.

[1]The U.S. Bureau of Economic Analysis switched from SIC to NAICS system in calendar year 2001. Personal income data for calendar years 2007 and 2008 are estimates.

[2]Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

[3]Corporate income data is currently not available for calendar years 2007 and 2008; vehicle fuel sales data is not available for fiscal years 1999 through 2001.

[4]The natural gas distributors reported no vehicle fuel sales for fiscal years 2007 and 2008.

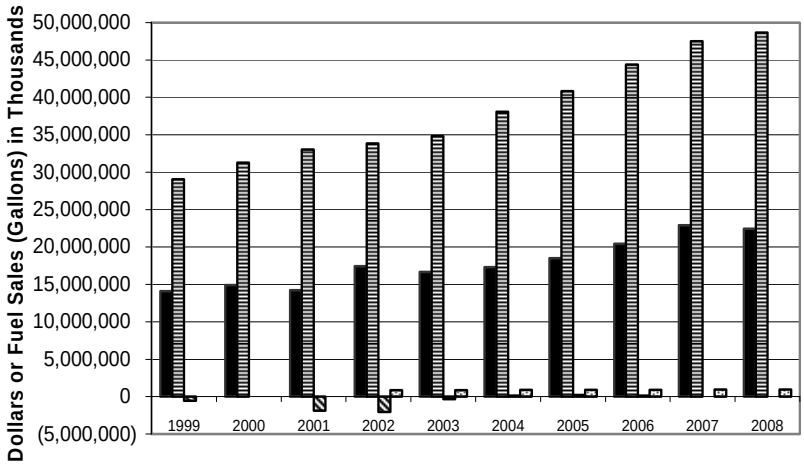
2005	2006	2007	2008
$8,687	$10,093	$11,416	$11,679
85,183	99,736	124,479	127,115
53,612	67,655	72,407	74,440
410,645	484,901	572,823	583,884
1,026,589	998,714	1,403,805	1,050,425
253,306	250,375	347,677	390,536
1,246,743	1,481,922	1,766,289	1,870,820
12,769,055	14,083,361	15,364,551	14,963,180
117,091	153,983	149,466	155,363
1,884,819	2,105,191	2,330,698	2,409,065
671,249	690,509	782,729	817,606
$18,526,979	$20,426,440	$22,926,340	$22,454,113
6.0%	5.0%	6.0%	6.0%

2005	2006	2007	2008
$890,452	$676,538	$1,078,029	$821,000
404,985	419,627	420,838	403,000
156,426	189,392	227,368	252,000
2,722,966	3,163,850	3,303,687	2,968,000
3,821,001	4,267,250	4,360,997	4,267,000
929,665	985,829	1,029,830	1,058,000
1,359,293	1,497,511	1,631,203	1,678,000
2,566,782	2,819,842	2,864,752	2,867,000
1,785,263	2,000,959	2,041,224	2,077,000
9,652,789	10,680,806	11,236,427	11,592,000
1,043,507	1,096,910	1,127,126	1,152,000
539,326	543,711	575,562	610,000
3,963,156	4,138,673	4,305,996	4,501,000
11,016,947	11,907,703	13,333,114	14,425,000
$40,852,558	$44,388,601	$47,536,153	$48,671,000
7.7%	7.7%	NA	NA

2005	2006	2007	2008
$54,837	$6,080	NA	NA
126,174	87,233	NA	NA
(2,182)	(1,257)	NA	NA
57,112	42,999	NA	NA
$235,941	$135,055	NA	NA
7.6%	7.6%	7.6%	7.6%

2005	2006	2007	2008
241,079	258,715	284,009	282,616
625,453	636,565	647,363	636,125
98	77	62	53
16	13		
2,512	2,512	2,598	2,461
28,250	31,038	33,591	36,217
897,408	928,920	967,623	957,472
$0.243	$0.243	$0.242	$0.242

Idaho Revenue Base*
Fiscal/Calendar Years 1999-2008



*Corporate Income data is currently not available for calendar years 2007 and 2008; Vehicle Fuel Sales data is not available for fiscal years 1999-2001.

Schedule 6 - Revenue Rates

Fiscal/Calendar Years 1999-2008

Personal Income Tax Rates[1]

Calendar Year

	1999	2000[2]	2001[2]	2002	2003	2004
Tax Rates for Single and Married Filing Separately on the Portion of Taxable Income in Ranges						
Tax Rate	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%
Income Levels	$0-1,000	$0-1,022	$0-1,056	$0-1,087	$0-1,104	$0-1,129
Tax Rate	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%
Income Levels	$1,001-2,000	$1,023-2,044	$1,057-2,113	$1,088-2,173	$1,105-2,207	$1,130-2,258
Tax Rate	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%
Income Levels	$2,001-3,000	$2,045-3,066	$2,114-3,169	$2,174-3,260	$2,208-3,311	$2,259-3,387
Tax Rate	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%
Income Levels	$3,001-4,000	$3,067-4,088	$3,170-4,226	$3,261-4,346	$3,312-4,415	$3,388-4,515
Tax Rate	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%
Income Levels	$4,001-5,000	$4,089-5,110	$4,227-5,282	$4,347-5,433	$4,416-5,518	$4,516-5,644
Tax Rate	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%
Income Levels	$5,001-7,500	$5,111-7,666	$5,283-7,923	$5,434-8,149	$5,519-8,278	$5,645-8,466
Tax Rate	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%
Income Levels	$7,501-20,000	$7,677-20,442	$7,924-21,129	$8,150-21,730	$8,279-22,074	$8,467-22,577
Tax Rate	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%
Income Levels	$20,001 +	$20,443 +	$21,130 +	$21,731 +	$22,075 +	$22,577 +
Tax Rates for Married Filing Jointly, Head of Household, and Qualifying Widow(er)s on the Portion of Taxable Income in Ranges						
Tax Rate	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%
Income Levels	$0-2,000	$0-2,044	$0-2,112	$0-2,174	$0-2,208	$0-2,258
Tax Rate	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%
Income Levels	$2,001-4,000	$2,045-4,088	$2,113-4,226	$2,175-4,346	$2,209-4,414	$2,259-4,516
Tax Rate	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%
Income Levels	$4,001-6,000	$4,089-6,132	$4,227-6,338	$4,347-6,520	$4,415-6,622	$4,517-6,774
Tax Rate	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%
Income Levels	$6,001-8,000	$6,133-8,176	$6,339-8,452	$6,521-8,692	$6,623-8,830	$6,775-9,030
Tax Rate	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%
Income Levels	$8,001-10,000	$8,177-10,220	$8,453-10,564	$8,693-10,866	$8,831-11,036	$9,031-11,288
Tax Rate	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%
Income Levels	$10,001-15,000	$10,221-15,332	$10,565-15,846	$10,867-16,298	$11,037-16,556	$11,289-16,932
Tax Rate	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%
Income Levels	$15,001-40,000	$15,333-40,884	$15,847-42,258	$16,299-43,460	$16,557-44,148	$16,933-45,154
Tax Rate	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%
Income Levels	$40,001 +	$40,885 +	$42,259 +	$43,461 +	$44,149 +	$45,155 +
Total Direct Rate	8.0%	8.0%	7.6%	7.6%	7.6%	7.6%

Vehicle Fuel Tax Rates per Gallon

Fiscal Year

	1999	2000	2001	2002	2003	2004
Diesel	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250
Gasoline	0.250	0.250	0.250	0.250	0.250	0.250
Propane	0.181	0.181	0.181	0.181	0.181	0.181
Natural Gas	0.197	0.197	0.197	0.197	0.197	0.197
Aviation Fuel	0.055	0.055	0.055	0.055	0.055	0.055
Jet Fuel	0.045	0.045	0.045	0.045	0.045	0.045
Total Direct Rate *(per gallon of fuel)*	NA	NA	NA	$0.242	$0.243	$0.243

Source: Idaho State Tax Commission.

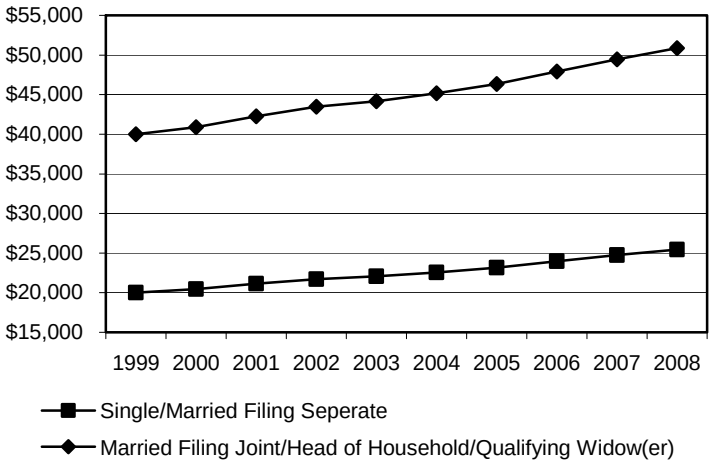
Note: The Idaho State Legislature can raise the income and vehicle fuel tax rates by legislation, no vote of the populace is required; *Idaho Constitution,* Art. VII, §16; *Idaho Code,* Sections 63-3024 and 63-2402.

[1] Idaho's personal income tax brackets are adjusted each year for inflation.

[2] The Legislature passed structural reductions in the state income tax base effective for calendar years 2000 and 2001.

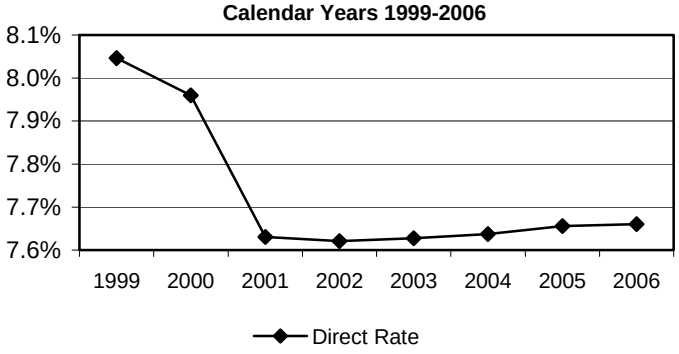
2005	2006	2007	2008
1.6% $0-1,159	1.6% $0-1,197	1.6% $0-1,236	1.6% $0-1,272
3.6% $1,160-2,318	3.6% $1,198-2,395	3.6% $1,237-2,473	3.6% $1,273-2,544
4.1% $2,319-3,477	4.1% $2,396-3,593	4.1% $2,474-3,709	4.1% $2,545-3,816
5.1% $3,478-4,636	5.1% $3,594-4,792	5.1% $3,710-4,946	5.1% $3,817-5,088
6.1% $4,637-5,794	6.1% $4,793-5,990	6.1% $4,947-6,183	6.1% $5,089-6,360
7.1% $5,795-8,692	7.1% $5,991-8,995	7.1% $6,184-9,275	7.1% $6,361-9,540
7.4% $8,693-23,178	7.4% $8,996-23,962	7.4% $9,276-24,735	7.4% $9,541-25,441
7.8% $23,179 +	7.8% $23,963 +	7.8% $24,736 +	7.8% $25,441 +

Personal Taxable Income Level for Top Rate Payers
Calendar Years 1999-2008



2005	2006	2007	2008
1.6% $0-2,318	1.6% $0-2,395	1.6% $0-2,474	1.6% $0-2,544
3.6% $2,319-4,636	3.6% $2,396-4,791	3.6% $2,475-4,948	3.6% $2,545-5,088
4.1% $4,636-6,953	4.1% $4,792-7,187	4.1% $4,949-7,420	4.1% $5,089-7,632
5.1% $6,954-9,271	5.1% $7,188-9,585	5.1% $7,421-9,894	5.1% $7,633-10,176
6.1% $9,272-11,589	6.1% $9,586-11,981	6.1% $9,895-12,368	6.1% $10,177-12,720
7.1% $11,590-17,383	7.1% $11,982-17,971	7.1% $12,369-18,552	7.1% $12,721-19,080
7.4% $17,384-46,356	7.4% $17,972-47,925	7.4% $18,553-49,472	7.4% $19,081-50,882
7.8% $46,357 +	7.8% $47,926 +	7.8% $49,473 +	7.8% $50,883 +
7.7%	7.7%	NA	NA

Personal Income Tax Direct Rate*
Calendar Years 1999-2006



*Personal Income data is currently not available for calendar years 2007 and 2008.

2005	2006	2007	2008
$0.250	$0.250	$0.250	$0.250
0.250	0.250	0.250	0.250
0.181	0.181	0.181	0.181
0.197	0.197	0.197	0.197
0.055	0.055	0.055	0.070
0.045	0.045	0.045	0.060
$0.243	$0.243	$0.242	$0.242

Schedule 7 - Revenue Payers by Industry/Category

Historical Comparison and Most Current Fiscal/Calendar Year

(dollars in thousands)

Sales Tax

	As of June 30, 1999				As of June 30, 2007			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	303	0.5	$257	0.0	390	0.7	$593	0.0
Agricultural	819	1.4	2,554	0.4	1,041	1.7	7,205	0.6
Mining	128	0.2	1,452	0.2	151	0.2	4,086	0.3
Construction	3,148	5.5	11,749	1.7	4,329	7.1	31,565	2.5
Manufacturing	4,193	7.4	43,800	6.3	4,549	7.5	64,884	5.1
Transportation & Utilities	861	1.5	7,608	1.1	1,240	2.0	18,074	1.4
Wholesale trade	1,968	3.4	41,796	6.0	2,844	4.7	105,836	8.2
Retail trade	26,871	47.0	481,441	69.3	25,476	41.9	871,070	67.8
Finance, Insurance, and Real Estate	593	1.0	8,103	1.2	764	1.3	8,409	0.7
Services	17,981	31.5	76,950	11.1	19,337	31.8	132,434	10.3
Government	339	0.6	19,047	2.7	642	1.1	39,756	3.1
Total	57,204	100.0	$694,757	100.0	60,763	100.0	$1,283,912	100.0

Personal Income

	As of December 31, 1997				As of December 31, 2006			
Income Level	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
$50,000 and under	483,685	91.4	$358,928	48.3	558,407	85.4	$434,181	29.3
$50,000 - $100,000	34,464	6.5	165,225	22.2	66,908	10.2	351,160	23.7
$100,000 - $250,000	8,369	1.6	90,764	12.2	21,448	3.3	254,155	17.1
$250,000 - $1,000,000	2,306	0.4	73,241	9.9	6,173	0.9	218,960	14.8
$1,000,000 and higher	290	0.1	55,376	7.4	974	0.2	224,310	15.1
Total	529,114	100.0	$743,534	100.0	653,910	100.0	$1,482,766	100.0

Corporate Income

	As of Tax Year 1997				As of Tax Year 2006			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	15,417	29.9	$84,674	91.2	10,380	14.9	$6,080	4.5
Sub-S Corporations	14,705	28.5	3,492	3.8	26,549	38.1	87,234	64.6
Partnerships	13,301	25.8	842	0.9	23,774	34.1	(1,257)	(0.9)
Fiduciary	8,175	15.8	3,800	4.1	8,981	12.9	42,999	31.8
Total	51,598	100.0	$92,808	100.0	69,684	100.0	$135,056	100.0

Vehicle Fuel Tax

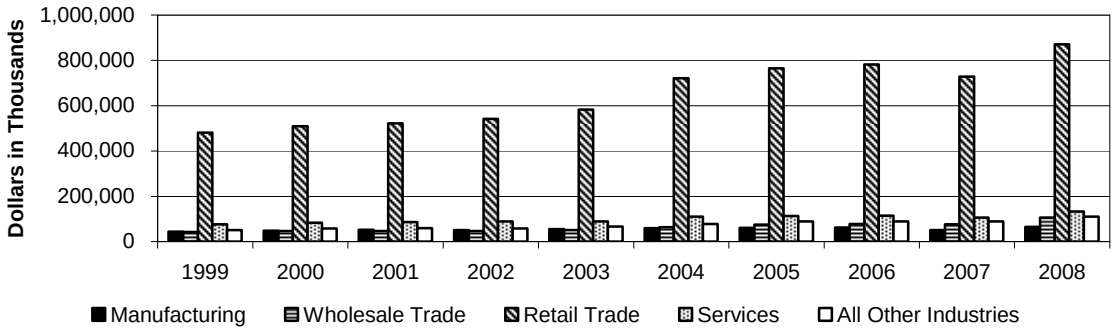
	As of June 30, 2002				As of June 30, 2008			
	Number of Filers[1]	Percent of Total	Tax Liability	Percent of Total	Number of Filers[1]	Percent of Total	Tax Liability	Percent of Total
Diesel	133	39.9	$57,013	26.9	112	42.9	$70,637	28.7
Gasoline	138	41.5	153,105	72.3	100	38.3	159,031	64.6
Propane	26	7.8	50	0.0	25	9.6	42	0.0
Natural Gas	2	0.6	9	0.0	1	0.4	6	0.0
Aviation Fuel	14	4.2	166	0.1	7	2.7	135	0.1
Jet Fuel	20	6.0	1,352	0.7	16	6.1	16,230	6.6
Total	333	100.0	$211,695	100.0	261	100.0	$246,081	100.0

Source: Idaho State Tax Commission.

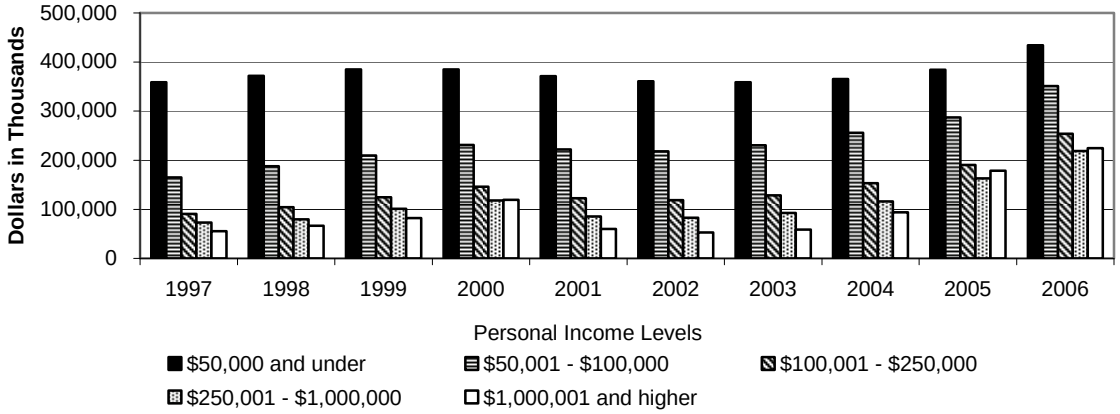
Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2006. Data prior to fiscal year 1999 for sales tax, calendar year 1997 for income tax, and fiscal year 2002 for fuel tax is not available.

[1] The total number of filers for vehicle fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

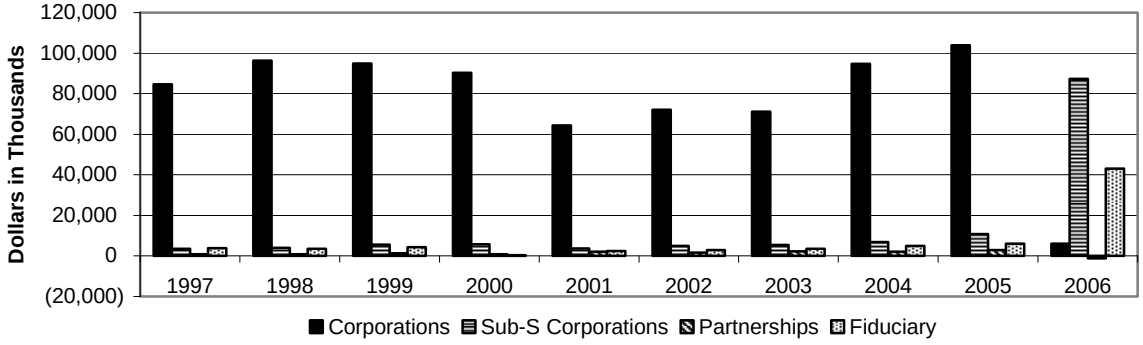
Sales Tax Liabilities by Industry
Fiscal Years 1999-2008



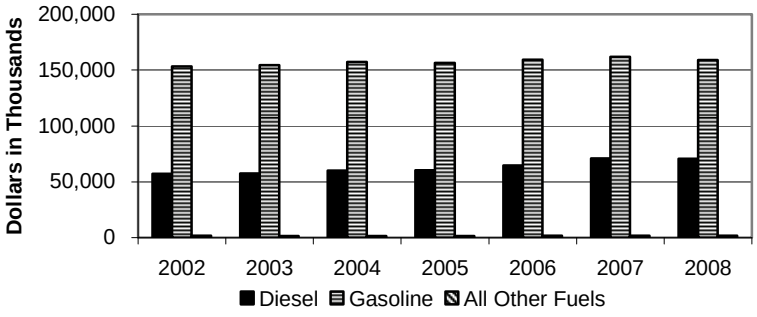
Personal Income Tax Liabilities by Income Level
Calendar Years 1997-2006



Corporate Tax Liabilities
Tax Years 1997-2006



Vehicle Fuel Tax Liabilities
Fiscal Years 2002-2008



Schedule 8 - Ratios of Outstanding Debt

Fiscal Years 1999-2008

(dollars in thousands, except per capita amount)

	1999	2000	2001	2002	2003	2004	2005	2006 (as restated)	2007	2008
Governmental Activities										
Revenue Bonds[1]	$102,130	$97,635	$97,300	$105,802	$153,624	$211,031	$203,067	$205,203	$324,657	$306,159
Capital Leases[2]	3,920	3,469	4,417	4,121	3,977	5,915	9,428	13,929	12,209	11,997
Notes Payable						3,167	1,189	3,776	3,679	3,543
Notes Payable to Component Unit[3]									25,947	113,194
Total Governmental Activities	$106,050	$101,104	$101,717	$109,923	$157,601	$220,113	$213,684	$222,908	$366,492	$434,893
Business-Type Activities										
Revenue Bonds[4]	$188,356	$195,222	$193,352	$262,314	$262,517	$318,138	$329,835	$319,308	$402,181	$445,490
Capital Leases	6,754	8,759	10,473	11,078	6,464	5,928	1,450	1,709	1,369	1,139
Capital Leases to Component Unit[5]							3,657	3,422	3,172	2,917
Notes Payable	8,708	8,152	7,747	12,594	12,392	11,841	17,104	16,284	16,802	20,155
Total Business-Type Activities	$203,818	$212,133	$211,572	$285,986	$281,373	$335,907	$352,046	$340,723	$423,524	$469,701
Total Primary Government	$309,868	$313,237	$313,289	$395,909	$438,974	$556,020	$565,730	$563,631	$790,016	$904,594
Debt as a Percentage of Personal Income[6]	1.1%	1.1%	1.0%	1.2%	1.3%	1.6%	1.5%	1.4%	1.8%	1.9%
Amount of Debt Per Capita[6]	$247.5	$245.5	$241.2	$299.7	$327.1	$407.0	$406.7	$394.7	$538.9	$602.3

Note: The *Idaho Constitution,* Article VIII, §1, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in the long-term liabilities note to the financial statements.

[1]In fiscal years 2002 through 2004, and 2007, the Idaho State Building Authority issued revenue bonds for state building projects.

[2]In fiscal year 2006 the increase in capital leases is mainly attributable to new leases for buildings and operating equpiment at the Judicial Department and the Department of Fish and Game. The increase in fiscal year 2005 is mainly attributable to new leases for buildings at the Department of Fish and Game.

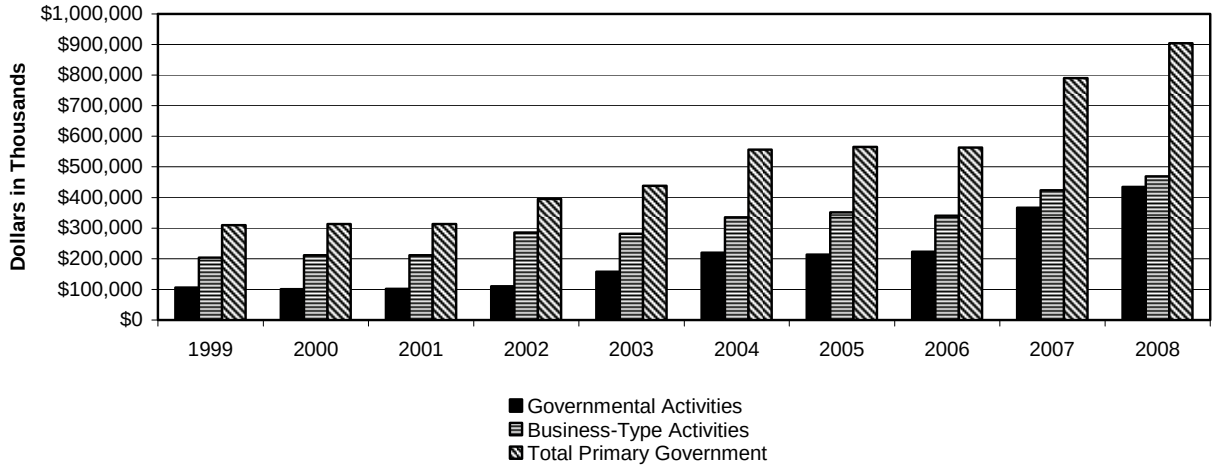
[3]In fiscal years 2008 and 2007 the Idaho Transortation Department issued notes payable to Idaho Housing and Finance Association for road and infrastructure improvements.

[4]In fiscal years 2008, 2007, 2004, and 2002 the colleges and universities issued revenue bonds for various projects. In fiscal year 2006 the decrease in revenue bonds is due mainly to the retirement of debt by the colleges and universities.

[5]Prior to fiscal year 2005 capital leases to component units were not reported seperately.

[6]These ratios are calculated using personal income and population for the prior calendar year. See Schedule 11 for personal income and population data.

Outstanding Debt - Primary Government
Fiscal Years 1999-2008



Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2002-2008

(dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008
Governmental Activities							
Compensated Absences	$52,235	$51,713	$52,806	$54,664	$56,245	$56,629	$56,599
Policy Claim Liabilities	40,645	39,429	35,174	37,263	36,002	17,867	20,164
Claims and Judgments	49,845	43,468	44,129	36,990	34,486	32,924	30,834
Net Pension Obligation	19	124	375	621	1,071	1,714	2,375
Net OPEB Obligation[1]							20,018
Arbitrage Liability[2]						901	1,890
Total Governmental Activities	$142,744	$134,734	$132,484	$129,538	$127,804	$110,035	$131,880
Business-Type Activities							
Compensated Absences	$21,432	$20,210	$19,507	$16,814	$16,986	$18,381	$20,067
Claims and Judgments[3]	1,726						
Grand Prize Annuities Payable[3]	74,747						
Net OPEB Obligation[1]							7,858
Arbitrage Liability[4]							445
Total Business-Type Activities	$97,905	$20,210	$19,507	$16,814	$16,986	$18,381	$28,370
Total Primary Government	$240,649	$154,944	$151,991	$146,352	$144,790	$128,416	$160,250

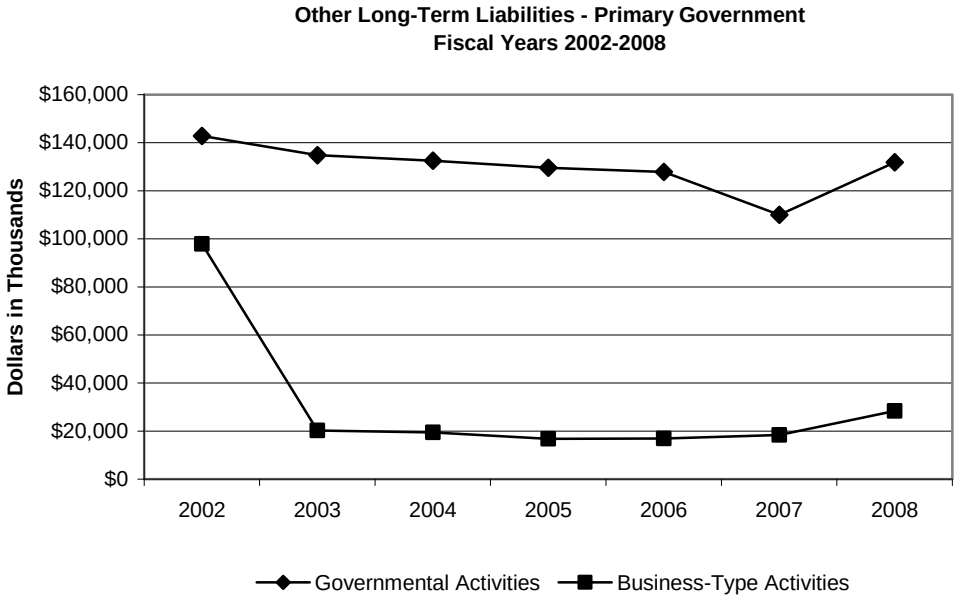
Note: Details regarding the liabilities listed above can be found in the long-term liabilities note to the financial statements.

[1]Net OPEB Obligation is being reported due to implementation of GASB Statement No. 45.

[2]In fiscal years 2008 and 2007 the Idaho State Building Authority recorded an arbitrage liability.

[3]In fiscal year 2003 the Idaho State Lottery changed its method of reporting liabilities and investments related to grand prize winners receiving annuity payments, eliminating both the long-term liability and related investment.

[4]In fiscal year 2008 the colleges and universities recorded an arbitrage liability.



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 1999-2008

(dollars in thousands)

	1999	2000	2001	2002	2003	2004
Revenue Bonds - Idaho State Building Authority						
Revenue - Lease and Rental Payments	$6,303	$6,410	$7,613	$10,863	$10,370	$10,439
Less: Operating Expenses	(179)	(179)	(259)	(217)	(312)	(271)
Net Available Revenue	$6,124	$6,231	$7,354	$10,646	$10,058	$10,168
Debt Service:[1]						
Principal	$4,380	$4,595	$6,025	$6,615	$15,810	$5,795
Interest	$4,732	$4,524	$4,274	$4,536	$5,521	$8,061
Coverage	0.7	0.7	0.7	1.0	0.5	0.7
Revenue Bonds - Colleges and Universities[2]						
Revenue:						
Student Fees Pledged				$36,855	$36,578	$120,060
Sale of Goods and Services Pledged				29,343	31,288	63,650
Other Income Pledged						
Less: Operating Expenses				NA	NA	(43,052)
Net Available Revenue				$66,198	$67,866	$140,658
Debt Service:[3]						
Principal				$6,195	$6,130	$14,850
Interest				$11,059	$13,558	$14,056
Coverage				3.8	3.4	4.9
Revenue Bonds - Idaho Water Resources Board[4]						
Revenue:						
Sale of Goods and Services			$934	$727	$863	$905
Interest Earned on Bond Proceeds	$19	$163	10			
Less: Operating Expenses		(3)	(144)	(235)	(112)	(233)
Net Available Revenue	$19	$160	$800	$492	$751	$672
Debt Service:						
Principal			$10	$25	$40	$60
Interest		$371	$371	$371	$369	$366
Coverage		0.4	2.1	1.2	1.8	1.6
Notes Payable - Idaho Transportation Department[5]						
Revenue:						
Federal Highway Grants						
State Funds						
Available Revenue						
Debt Service:						
Principal						
Interest						
Coverage						

Note: Details regarding the State's outstanding bonds can be found in the long-term liabilities note to the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

[1]In fiscal year 2008 the Idaho State Building Authority issued bonds in the amount of $53.0 million and defeased a 1998 series issue. In fiscal years 2007 and 2003 bonds were issued for $127.1 million and $64.0 million respectively, accounting for the increase in debt service.

[2]GASB Statement Nos. 34 and 35 were implemented in fiscal year 2002 requiring the initial reporting of pledged revenue. Pledged revenue increased in fiscal year 2004 due to a change in how the colleges and universities define pledged revenue. The colleges and universities are in the process of consolidating all outstanding bonds into a single bond system. The bond covenant was amended to require that fees and charges be established in amounts sufficient to produce pledged revenues each year equal to 120 percent of the debt service for such fiscal year on all bonds outstanding.

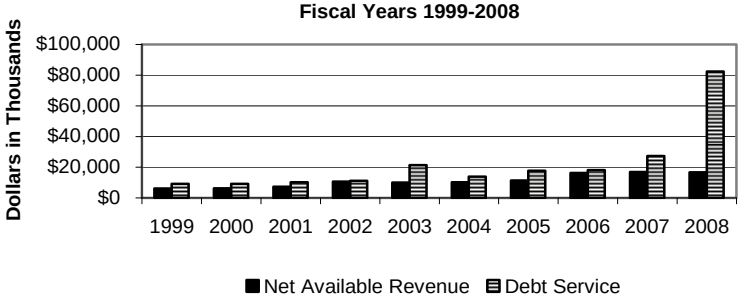
[3]The University of Idaho refunded two series 1994 issues in fiscal year 2003; Idaho State University issued new bonds in the amount of $35.9 million in fiscal year 2004; Boise State University and the University of Idaho partially refunded nine issues in fiscal year 2005; and Boise State University issued new bonds in the amount of $96.4 million and partially refunded three issues in fiscal year 2007, accounting for the changes in debt service.

[4]In fiscal year 1999 the Idaho Water Resources Board issued bonds to fund the Dworshak Project, a dam and power-generation station. The bond proceeds were invested until needed to pay construction costs, resulting in interest earned. Upon completion of the Dworshak Project in fiscal year 2001, hydro-electric power has been sold to service the bond payments. In fiscal year 2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, and thus accounting for the increase in debt service for fiscal year 2007.

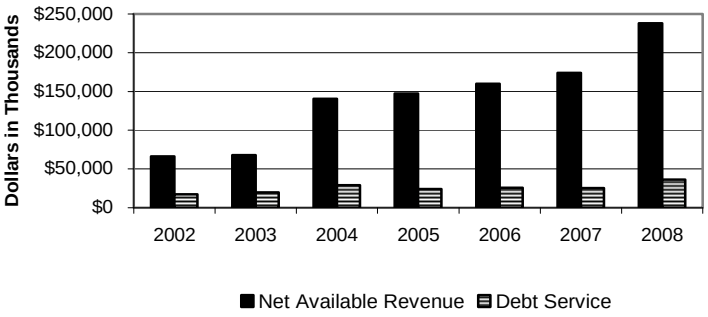
[5]In fiscal years 2008 and 2007 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance improvements to various roads and related infrastructure within the state.

2005	2006	2007	2008
$11,737	$16,752	$17,266	$17,050
(384)	(387)	(348)	(354)
$11,353	$16,365	$16,918	$16,696
$8,500	$8,755	$13,780	$70,915
$9,356	$9,496	$13,469	$11,491
0.6	0.9	0.6	0.2
$131,669	$138,670	$144,471	$179,630
66,414	66,000	71,770	85,348
	7,178	9,867	31,174
(50,720)	(51,842)	(52,020)	(58,259)
$147,363	$160,006	$174,088	$237,893
$8,940	$10,725	$11,890	$15,610
$15,220	$15,217	$13,728	$20,793
6.1	6.2	6.8	6.5
$926	$876	$908	$816
(191)	(101)	(162)	(117)
$735	$775	$746	$699
$80	$100	$290	$305
$363	$357	$310	$294
1.7	1.7	1.2	1.2
		$282,848	$291,300
		2,227	3,470
		$285,075	$294,770
		$2,426	$20,240
		$6,766	$8,245
		31.0	10.3

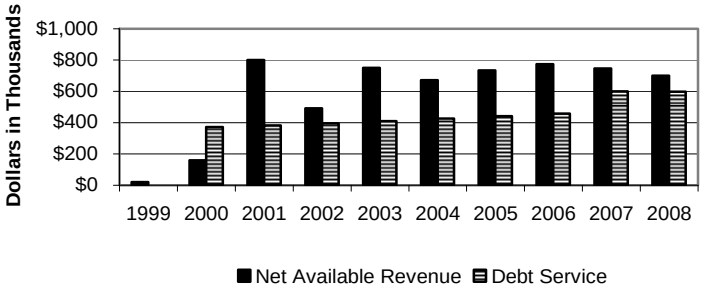
Idaho State Building Authority - Revenue and Debt Service
Fiscal Years 1999-2008



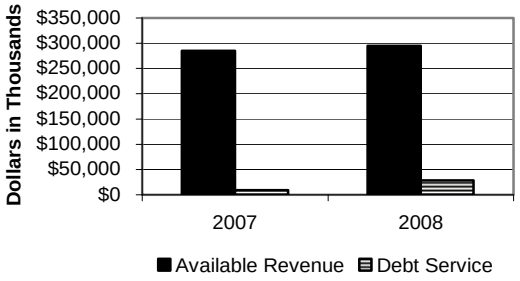
Colleges and Universities - Revenue and Debt Service
Fiscal Years 2002-2008



Idaho Water Resources Board - Revenue and Debt Service
Fiscal Years 1999-2008



Idaho Transportation Department - Revenue and Debt Service
Fiscal Years 2007-2008



Schedule 11 - Demographic and Economic Indicators
Calendar Years 1999-2008

	1999	2000	2001	2002	2003	2004
Population						
Idaho *(in thousands)*	1,276	1,299	1,321	1,342	1,366	1,391
Change	1.9%	1.8%	1.7%	1.6%	1.8%	1.9%
National *(in thousands)*	279,731	282,841	285,866	288,811	291,661	294,457
Change	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%
Total Personal Income[1]						
Idaho *(in billions)*	$29	$31	$33	$34	$35	$38
Change	6.5%	7.6%	5.6%	2.4%	2.9%	9.4%
National *(in billions)*	$7,802	$8,430	$8,724	$8,882	$9,164	$9,727
Change	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%
Per Capita Personal Income[2]						
Idaho	$22,786	$24,086	$25,028	$25,222	$25,497	$27,375
Change	4.6%	5.7%	3.9%	0.8%	1.1%	7.4%
National	$27,893	$29,804	$30,518	$30,753	$31,419	$33,034
Change	3.9%	6.9%	2.4%	0.8%	2.2%	5.1%
Median Age - Idaho	33.0	33.2	33.4	33.5	33.7	33.9
Educational Attainment						
8th Grade or Less	7.4%	7.4%	4.7%	4.7%	5.2%	5.2%
Some High School, No Diploma	12.9%	12.9%	9.1%	9.1%	10.1%	10.1%
High School Diploma	30.4%	30.4%	31.5%	31.5%	28.5%	28.5%
Some College, No Degree	24.2%	24.2%	25.7%	25.7%	27.3%	27.3%
Associate, Bachelor or Graduate Degree	25.1%	25.1%	29.0%	29.0%	28.9%	28.9%
Resident Civilian Labor Force and Employment in Idaho						
Civilian Labor Force	652,884	662,957	677,855	683,184	688,999	703,851
Employed	620,962	632,451	644,816	646,142	652,627	670,746
Unemployed	31,922	30,507	33,039	37,042	36,372	33,105
Unemployment Rate	4.9%	4.6%	4.9%	5.4%	5.3%	4.7%
Nonfarm Wage and Salary Workers Employed in Idaho						
Goods Producing Industries						
Mining	2,485	2,347	1,973	1,758	1,785	1,932
Logging and Wood Products	11,480	11,567	9,849	9,553	9,047	9,296
Construction	35,025	36,505	37,861	36,468	36,740	39,846
Manufacturing-Durable Goods	34,218	35,840	35,250	32,768	30,903	31,254
Manufacturing-Nondurable Goods	25,515	25,625	25,294	24,484	23,913	23,133
Total Goods Producing Industries	108,723	111,884	110,227	105,031	102,388	105,461
Non-Goods Producing Industries						
Trade	96,725	100,169	98,088	97,344	97,122	99,134
Service	227,558	238,282	249,579	253,633	260,022	269,022
State and Local Government	92,262	94,744	96,861	98,488	99,396	101,145
Federal Government	12,834	13,502	13,280	13,551	13,624	13,313
Total Non-Goods Producing Industries	429,379	446,697	457,808	463,016	470,164	482,614
Total Nonfarm Wage and Salary Employment	538,102	558,581	568,035	568,047	572,552	588,075

Sources: Idaho Division of Financial Management, Idaho Department of Labor, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

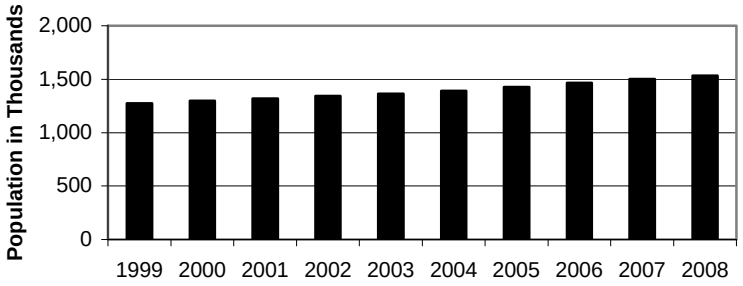
Note: Amounts for calendar years 2007 and 2008 are estimates. Prior year amounts may change due to revisions by the U.S. Bureaus of Economic Analysis and Labor Statistics.

[1]Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

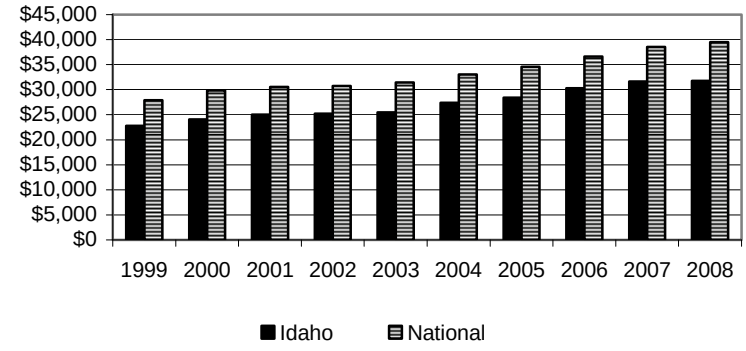
[2]Per capita personal income is calculated by dividing total personal income by population.

2005	2006	2007	2008
1,428	1,466	1,502	1,532
2.7%	2.6%	2.5%	2.0%
297,337	300,127	302,833	305,516
0.9%	0.9%	0.9%	0.9%
$41	$44	$48	$49
7.3%	8.7%	7.1%	2.4%
$10,270	$10,994	$11,663	$12,075
5.6%	7.1%	6.1%	3.5%
$28,419	$30,285	$31,653	$31,765
3.8%	6.6%	4.5%	0.4%
$34,539	$36,631	$38,514	$39,522
4.6%	6.1%	5.1%	2.6%
34.1	34.2	34.3	34.5
4.5%	4.3%	4.5%	4.5%
7.6%	8.4%	8.7%	8.2%
29.7%	28.3%	29.7%	30.1%
26.1%	27.0%	25.8%	25.4%
32.1%	32.0%	31.3%	31.8%
725,216	741,708	754,137	755,868
697,192	718,268	733,652	729,958
28,024	23,440	20,484	25,911
3.9%	3.2%	2.7%	3.4%
2,161	2,375	2,668	2,885
9,620	10,037	9,579	8,876
45,154	52,094	52,634	46,054
32,494	34,577	34,622	32,413
22,930	23,236	23,864	24,438
112,359	122,319	123,367	114,666
103,680	107,471	111,656	112,931
280,752	292,732	304,483	309,055
101,864	103,524	103,976	105,305
13,080	12,875	12,815	13,192
499,376	516,602	532,930	540,483
611,735	638,921	656,297	655,149

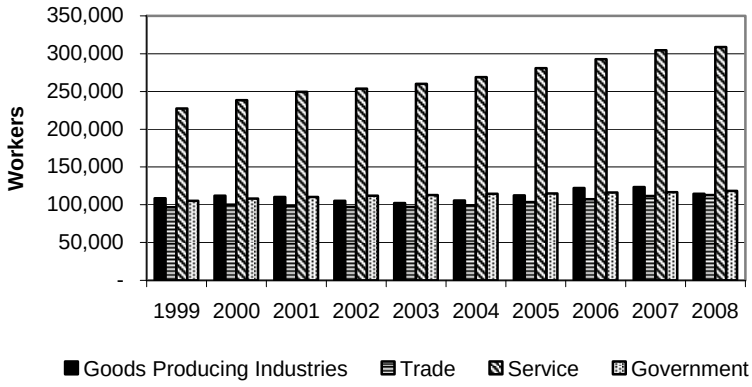
Idaho Population
Calendar Years 1999-2008



Per Capita Personal Income
Calendar Years 1999-2008



Nonfarm Wage and Salary Workers Employed in Idaho
Calendar Years 1999-2008



Schedule 12 - Principal Employers

Current Year and Nine Years Ago

	As of June 30, 1999			As of June 30, 2008		
Major Idaho Employers	Number of Employees	Rank	Percent of Total State Employment	Number of Employees	Rank	Percent of Total State Employment
State of Idaho[1]	16,500-17,000	1	2.7	18,500-19,000	1	2.5
Federal Government	12,500-13,000	2	2.1	12,500-13,000	2	1.7
Micron Technology, Inc.	8,500-9,000	3	1.4	9,500-10,000	3	1.3
Wal-Mart Associates, Inc.				7,000-7,500	4	1.0
St Luke's Regional Medical Center	2,500-3,000	10	0.4	5,000-5,500	5	0.7
Meridian School District	2,500-3,000	11	0.4	4,500-5,000	6	0.7
Albertsons, Inc.	5,500-6,000	4	0.9	4,500-5,000	7	0.7
Independent School District of Boise City	3,500-4,000	8	0.6	3,500-4,000	8	0.5
Battelle Energy Alliance LLC				3,500-4,000	9	0.5
Brigham Young Univeristy-Idaho				3,000-3,500	10	0.4
J.R. Simplot Co.	4,000-4,500	5	0.7	3,000-3,500	11	0.4
Hewlett-Packard Co.	3,500-4,000	7	0.6	2,500-3,000	12	0.4
Lockheed Idaho	4,000-4,500	6	0.7			
Potlatch Corporation	3,000-3,500	9	0.5			
Total	68,750		11.0	80,000		10.8

Source: Idaho Department of Labor, except state employees, which are from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given. Lockheed Idaho operated the Idaho National Laboratory (formerly Idaho National Engineering and Environmental Laboratory) for the Department of Energy until October 1, 1999, when Battelle Energy Alliance LLC (formerly known as Bechtel BWXT Idaho) took over as the contractor.

[1] Number of state employees includes only full-time personnel.

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12

Academic Years 1998/99-2007/08

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Elementary	131,018	131,348	131,835	132,406	133,501	135,216	137,579	141,898	146,224	150,068
Secondary	113,605	113,878	113,174	114,009	115,014	116,821	118,425	120,009	121,309	121,990
Total All Grades	244,623	245,226	245,009	246,415	248,515	252,037	256,004	261,907	267,533	272,058

Source: Idaho Department of Education

Public Higher Education Enrollment

Student Headcount (Calendar Years 1999-2008)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Boise State University	16,209	16,482	17,176	17,688	18,431	18,418	18,650	18,880	19,542	19,670
Idaho State University	12,650	13,037	13,663	13,352	13,625	13,803	13,977	12,679	13,362	12,644
University of Idaho	11,305	11,635	12,067	12,423	12,894	12,824	12,476	11,739	11,636	11,791
Lewis-Clark State College	2,815	2,696	2,952	2,967	3,228	3,145	3,222	3,211	3,269	3,334
Eastern Idaho Technical College	653	595	598	702	860	788	753	758	762	768
Total Colleges and Universities	43,632	44,445	46,456	47,132	49,038	48,978	49,078	47,267	48,571	48,207

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

Schedule 14 - State Employees by Function
Fiscal Years 1999-2008

Full-Time Employees

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Tax Commission	395	408	400	389	370	391	383	387	389	392
Department of Administration	159	153	158	167	162	153	157	153	164	138
All Other	968	1,000	1,050	1,075	1,054	1,025	1,069	1,069	1,093	1,144
Public Safety and Correction										
Department of Correction	1,273	1,291	1,302	1,381	1,345	1,365	1,407	1,454	1,516	1,560
Idaho State Police	429	440	451	469	451	454	455	462	467	469
Department of Juvenile Corrections	252	265	267	320	320	327	328	333	342	350
All Other	336	350	351	348	344	321	333	333	339	336
Health and Human Services										
Department of Health and Welfare[1]	3,260	3,289	2,806	2,814	2,658	2,657	2,687	2,764	2,885	2,917
Education										
Colleges and Universities	5,216	5,368	5,658	5,973	5,857	5,723	5,776	5,878	6,004	6,063
All Other	499	508	511	524	499	517	538	540	480	456
Economic Development										
Idaho Transportation Department	1,702	1,763	1,760	1,774	1,773	1,786	1,774	1,745	1,717	1,726
Department of Commerce and Labor[2]						584	580	553	496	
Department of Labor[2]	447	450	453	464	472					440
Department of Agriculture	348	340	320	309	296	305	281	302	307	301
All Other	502	504	723	774	785	712	819	840	840	933
Natural Resources										
Department of Environmental Quality[1]			331	351	350	353	352	345	352	356
Department of Fish and Game	477	469	468	481	494	504	497	500	506	502
Department of Lands	217	218	214	206	218	221	231	225	234	244
Department of Parks and Recreation	131	133	139	136	141	137	147	146	141	146
All Other	191	183	192	191	186	160	182	182	181	193
State Total	16,802	17,132	17,554	18,146	17,775	17,695	17,996	18,211	18,453	18,666

Part-Time and Temporary Employees[3]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	330	354	359	357	364	346	356	363	361	405
Public Safety and Correction	194	203	207	183	188	187	186	207	195	223
Health and Human Services[1]	860	979	660	710	614	671	589	654	591	620
Education	2,411	2,909	2,815	2,724	2,960	2,766	2,779	2,638	2,740	3,347
Economic Development	672	739	924	947	886	970	984	936	900	896
Natural Resources[1]	408	464	517	549	529	548	591	590	608	686
State Total	4,875	5,648	5,482	5,470	5,541	5,488	5,485	5,388	5,395	6,177

Source: Office of the Idaho State Controller.

[1]In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

[2]In fiscal year 2004 legislative action combined the Department of Commerce with the Department of Labor. In fiscal year 2008 legislative action seperated the Department of Commerce from the Department of Labor.

[3]Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function
Calendar/Fiscal Years 1999-2008

	1999	2000	2001	2002	2003	2004
General Government						
Tax Commission						
Number of Returns Filed *(in thousands)*	1,821	1,900	1,909	1,886	1,981	2,046
Number of Returns Filed Electronically	68,522	98,085	130,855	156,400	212,486	258,295
Department of Administration						
Construction Projects Administered	85	291	276	250	200	143
Employees Covered by Benefit Plans	16,639	18,589	18,841	19,115	19,250	18,076
Public Safety and Correction						
Department of Correction[1]						
Incarcerated Offenders	4,422	5,002	5,454	5,802	5,825	6,312
Supervised Offenders	7,292	7,356	7,945	8,473	9,346	9,955
Idaho State Police						
Emergency Call Response Rate[2]	89%	71%	79%	86%	87%	81%
Drug Related Arrests[3]	520	886	845	733	821	967
DUI Arrests[3]	1,712	1,835	1,764	1,640	1,723	1,708
All Other Arrests[3]	712	1,055	1,015	896	960	1,098
Department of Juvenile Corrections						
Number of Juveniles in the System	795	843	848	804	726	676
Rate of Recommitment to DJC Custody[4]	NA	NA	10.0%	6.0%	8.2%	11.4%
Health and Human Services						
Department of Health and Welfare[1]						
Medicaid Enrollees[5]	85,750	95,827	122,788	141,954	152,679	162,585
Percent of Population	7.0%	7.7%	9.5%	10.7%	11.4%	11.9%
Food Stamp Recipients	58,471	58,246	59,601	71,478	84,066	92,963
Percent of Population	4.8%	4.7%	4.6%	5.4%	6.3%	6.8%
Education						
Colleges and Universities[1]						
Enrollment	43,632	44,445	46,456	47,132	49,038	48,978
Number of Certificates and Degrees Awarded[6]	6,980	6,875	7,138	7,085	7,935	8,193
Economic Development						
Idaho Transportation Department						
Percent of Pavement Which is Deficient[1]	20%	18%	18%	15%	16%	19%
Vehicles Weighed (*in thousands*)	1,730	2,150	2,460	2,490	2,340	2,630
Department of Labor						
Individuals Registered for Employment (*in thousands*)	159	160	166	174	192	191
Job Openings Received	84,247	86,837	79,443	69,677	56,802	68,533
Department of Agriculture						
Conduct Disease Tests on Animals *(in thousands)*	322	322	331	277	381	423
Inspections of Dairy and Egg Farms	3,127	4,285	4,279	4,391	4,464	4,251
Natural Resources						
Department of Fish and Game						
Citations and Warnings Issued	6,026	6,087	5,071	5,094	5,359	5,744
Hatchery Fish Raised *(in thousands)*[3]	33,357	40,698	32,735	32,348	27,859	38,099
Hunting and Fishing Licenses Sold (*in thousands*)[3]	543	571	552	542	532	527
Department of Environmental Quality[7]						
Air Quality Sites Monitored	NA	55	64	67	70	64
Water Sites Monitored	NA	267	510	500	436	442
Department of Lands[1]						
Forest Products Sold (*in million board feet*)	180	193	192	200	170	254
Fires Responded to on IDL Land	406	310	410	319	362	292
Department of Parks and Recreation						
Park Visitation (*in thousands*)[1, 3, 8]	2,284	2,637	2,415	2,582	2,489	2,358
Recreational Registrations (*in thousands*)[8]	169	184	192	188	216	233

Sources: Idaho Division of Financial Management; Idaho State Police; Idaho State Tax Commission; and the Idaho Departments of Administration, Health and Welfare, Correction, Fish and Game, Environmental Quality, Lands, and Parks and Recreation.

Note: Operating indicators for fiscal years 2007 and all 2008 data are estimates, except where noted.

[1]Operating indicators for 2007 are actual amounts.

[2]Emergency call response rate is based on officer arriving safely on a motorist assist call within 20 minutes in fiscal years 1999 - 2003 and 30 minutes in fiscal years 2004 - 2008.

[3]Operating indicators are reported on a calendar year basis.

[4]In fiscal year 2001 Department of Juvenile Corrections instituted new performance measures.

[5]In fiscal year 2007 Department of Health and Welfare changed the way Medicaid Enrollees were calculated.

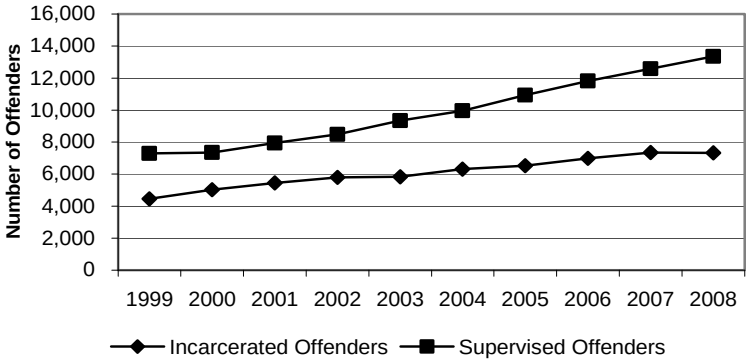
[6]Number of certificates and degrees awarded includes Eastern Idaho Technical College beginning in fiscal year 2003.

[7]In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

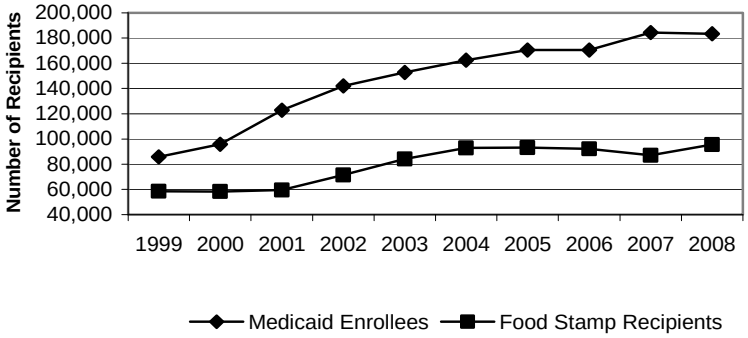
[8]Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

2005	2006	2007	2008
2,117	2,204	2,180	2,292
310,089	344,664	385,581	436,016
186	424	538	529
18,495	18,829	19,045	19,319
6,526	6,976	7,357	7,338
10,926	11,825	12,581	13,361
85%	85%	85%	85%
779	598	989	850
1,461	817	1,744	1,654
849	724	811	1,278
709	725	710	744
15.2%	11.0%	11.6%	11.7%
170,512	170,585	184,508	183,416
12.2%	11.9%	12.6%	12.2%
94,956	91,032	86,946	95,433
6.8%	6.4%	5.9%	6.4%
49,078	47,267	48,571	48,207
8,546	8,604	8,579	8,736
19%	20%	19%	18%
2,760	3,090	2,800	2,700
206	184	175	223
83,951	101,502	96,239	77,012
254	119	208	303
5,683	6,022	4,374	3,933
4,681	4,790	6,140	5,411
41,740	40,649	35,502	29,573
540	521	573	537
37	42	35	31
673	658	506	610
188	206	215	214
228	445	349	NA
2,648	2,738	4,248	NA
237	256	267	233

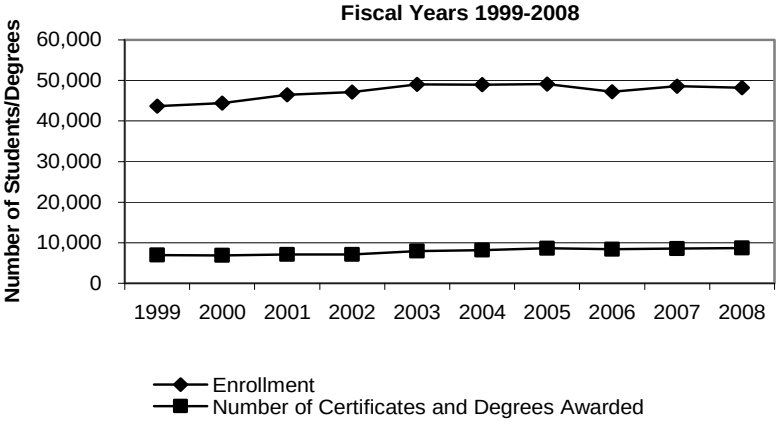
Department of Correction - Adult Offenders
Fiscal Years 1999-2008



Department of Health and Welfare
Medicaid Enrollees and Food Stamp Recipients
Fiscal Years 1999-2008



Colleges and Universities - Enrollment and Degrees Awarded
Fiscal Years 1999-2008



Schedule 16 - Capital Asset Statistics by Function
Fiscal Years 1999-2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Department of Administration										
Buildings *(square footage in thousands)*	590	647	661	661	661	661	733	741	741	728
Public Safety and Correction										
Department of Correction										
Buildings	75	78	78	80	81	82	84	84	87	88
Vehicles	175	204	257	285	301	330	334	339	353	392
Idaho State Police										
Vehicles	159	199	280	360	403	454	425	422	441	431
Machinery and Equipment	426	530	626	699	720	807	812	783	846	867
Department of Juvenile Corrections										
Buildings *(square footage in thousands)*	199	199	199	252	252	252	252	252	252	250
Vehicles	21	29	32	39	41	46	53	53	52	54
Health and Human Services										
Department of Health and Welfare										
Buildings *(square footage in thousands)*	893	893	951	951	928	928	928	928	914	914
Vehicles	601	618	589	588	582	518	490	517	539	518
Education										
Colleges and Universities										
Buildings (*square footage in thousands*)	10,368	10,496	10,868	11,396	11,358	11,743	11,919	12,265	12,539	12,890
Economic Development										
Idaho Transportation Department										
Highway Lane Miles[1]	11,760	11,756	11,779	11,831	11,819	11,852	11,874	11,874	11,877	11,930
Vehicles	98	98	95	95	109	112	97	96	96	96
Heavy Equipment	522	522	530	530	551	545	552	585	585	589
Department of Agriculture										
Scientific and Laboratory Equipment	121	122	125	136	142	145	147	156	162	165
Vehicles	67	90	108	134	140	158	166	191	209	201
Natural Resources										
Department of Fish and Game										
Hatcheries	19	19	19	19	19	19	19	19	19	22
Vehicles	248	304	381	467	610	722	766	692	646	621
Boats	226	241	256	274	288	302	302	296	289	286
Wildlife Management Areas	33	33	33	33	33	33	33	33	33	33
Department of Environmental Quality										
Air Monitoring Instruments	148	150	172	192	199	125	126	131	119	124
Water Sampling/Quality Equipment	203	213	224	271	276	82	88	94	87	88
Department of Lands										
Acres of Land (*in thousands*)[1]	2,348	2,310	2,400	2,461	2,464	2,462	2,460	2,460	2,460	2,461
Vehicles	214	223	251	297	332	361	341	346	353	351
Department of Parks and Recreation										
State Parks	32	32	33	33	34	34	34	34	35	35
Acres of State Park Land (*in thousands*)	56	56	56	56	58	58	58	58	59	59
Buildings	225	237	253	258	261	274	281	287	316	321
Vehicles	148	169	192	208	223	232	240	257	288	312

Sources: Office of the Idaho State Controller; Idaho Departments of Correction, Health and Welfare, Transportation, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: Idaho State Tax Commission, the Department of Commerce, and the Department of Labor are not capital asset intensive.

[1]Highway lane miles and acres of land for fiscal year 2008 are based on estimates.

GREAT SEAL OF
THE STATE OF IDAHO
ESTO PERPETUA

Schedule 17 - Assets, Liabilities, and Fund Balances
General Fund Accounts
June 30, 2008
(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
ASSETS					
Cash and Cash Equivalents	$2				
Pooled Cash and Investments	276,289	$187,246	$213,170	$178	$152,189
Investments		9,054		121,246	841
Securities Lending Collateral	488,908	3,885			361
Accounts Receivable, Net	829	5		15,928	
Taxes Receivable, Net	225,964	4,063			456
Interfund Receivables		5,320			
Inventories and Prepaid Items	2,526	361		83	86
Loans, Notes, and Pledges Receivable, Net					
Other Assets	1	72			7
Total Assets	$994,519	$210,006	$213,170	$137,435	$153,940
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$14,485	$15,588			$55
Payroll and Related Liabilities	7,325	239			12
Interfund Payables	2,042				1
Due to Other Entities					
Deferred Revenue	60,924	87		$15,928	37
Amounts Held in Trust for Others	165				
Obligations Under Securities Lending	488,908	3,885			361
Other Accrued Liabilities	339	7,206			1
Total Liabilities	574,188	27,005		15,928	467
Fund Balances					
Reserved for:					
Encumbrances	24,314	318	$5,317		20,116
Inventories and Prepaid Items	2,526	361		83	86
Noncurrent Receivables					
Permanent Trusts				50,900	
Unreserved, Reported in:					
General Fund	393,491	182,322	207,853	70,524	133,271
Total Fund Balances	420,331	183,001	213,170	121,507	153,473
Total Liabilities and Fund Balances	$994,519	$210,006	$213,170	$137,435	$153,940

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
						$2
$39,496	$1,939	$5	$3,267	$4,530	$55,338	933,647
					374	131,515
						493,154
				339	445	17,546
15,672	28,528				401	275,084
					324	5,644
				5,372		8,428
					482	482
					6	86
$55,168	$30,467	$5	$3,267	$10,241	$57,370	$1,865,588
	$55			$367	$125	$30,675
			$100	290	571	8,537
						2,043
$38,496						38,496
1,088	15,377				445	93,886
						165
						493,154
		$7			506	8,059
39,584	15,432	7	100	657	1,647	675,015
					2,189	52,254
				5,372		8,428
					759	759
						50,900
15,584	15,035	(2)	3,167	4,212	52,775	1,078,232
15,584	15,035	(2)	3,167	9,584	55,723	1,190,573
$55,168	$30,467	$5	$3,267	$10,241	$57,370	$1,865,588

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances
General Fund Accounts
For the Fiscal Year Ended June 30, 2008
(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	$1,134,339	$5,000			
Individual and Corporate Taxes	1,498,537	6,801			$532
Other Taxes	22,766	32,025			4,942
Licenses, Permits, and Fees	10,956	2			1,536
Sale of Goods and Services	558	13,236			1,662
Grants and Contributions	917	5			59
Investment Income	29,136	14,855	$3,099	$2,887	8,014
Tobacco Settlement				28,504	
Other Income	3,268	9		16	83
Total Revenues	2,700,477	71,933	3,099	31,407	16,828
EXPENDITURES					
Current:					
General Government	87,138	31,898	261	303	327
Public Safety and Correction	237,548		3	430	1,335
Health and Human Services			1,041	995	1,859
Education	127,677	419	155	687	1,392,128
Economic Development	23,816		84		403
Natural Resources	25,666		536		
Capital Outlay	12,285	61,883	4,250		250
Intergovernmental Revenue Sharing	23,662		522		
Debt Service:					
Principal Retirement	334	4			
Interest and Other Charges	18,042	346			18
Total Expenditures	556,168	94,550	6,852	2,415	1,396,320
Revenues Over (Under) Expenditures	2,144,309	(22,617)	(3,753)	28,992	(1,379,492)
OTHER FINANCING SOURCES (USES)					
Capital Lease Acquisitions	796	19			
Sale of Capital Assets	233				1
Transfers In	197,986	20,454	79,059		1,393,999
Transfers Out	(2,367,065)	(1,830)	(27)		(8,501)
Total Other Financing Sources (Uses)	(2,168,050)	18,643	79,032		1,385,499
Net Changes in Fund Balances	(23,741)	(3,974)	75,279	28,992	6,007
Fund Balances - Beginning Of Year, as Restated	444,072	186,975	137,891	92,515	147,466
Fund Balances - End of Year	$420,331	$183,001	$213,170	$121,507	$153,473

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
$176,703	$9,620				$2,556		$1,328,218
	72,649				9,175		1,587,694
	6,024						65,757
		$108		$101	7,522		20,225
				28	5,393		20,877
					3,824		4,805
		624			2,143		60,758
							28,504
		3,686		6,770	20,729		34,561
176,703	88,293	4,418		6,899	51,342		3,151,399
			$5,639	100	9,804		135,470
					661		239,977
		25,424					29,319
					31,886		1,552,952
				202	4,774		29,279
				22,951	1,501		50,654
			4	400	189		79,261
176,472	559				4,722		205,937
			4		11		353
							18,406
176,472	559	25,424	5,647	23,653	53,548		2,341,608
231	87,734	(21,006)	(5,647)	(16,754)	(2,206)		809,791
							815
					1		235
		20,768	6,480	21,824	46,859	($1,636,509)	150,920
	(90,301)				(35,425)	1,636,509	(866,640)
	(90,301)	20,768	6,480	21,824	11,435		(714,670)
231	(2,567)	(238)	833	5,070	9,229		95,121
15,353	17,602	236	2,334	4,514	46,494		1,095,452
$15,584	$15,035	($2)	$3,167	$9,584	$55,723		$1,190,573

Schedule 19 - Miscellaneous Statistics

State Capital	Boise
Admitted to the Union	July 3, 1890
Nickname	The Gem State
Motto	Esto Perpetua (Let It Be Perpetual)
Population	1,532,200
Highest Elevation Point	Mt. Borah
	12,662 Feet Above Sea Level
Lowest Elevation Point	Snake River, Lewiston
	770 Feet Above Sea Level
Number of Lakes	More Than 2,000
State Bird	Mountain Bluebird
State Fish	Cutthroat Trout
State Flower	Syringa
State Gem Stone	Idaho Star Garnet
State Horse	Appaloosa
State Insect	Monarch Butterfly
State Song	"Here We Have Idaho"
State Tree	Western White Pine

Sources: *Idaho Blue Book* , 2007-2008
Idaho Economic Forecast, July 2008 (Population)

TWENTY LARGEST COMMUNITIES IN IDAHO

Boise	198,638
Nampa	76,587
Meridian	59,832
Pocatello	53,932
Idaho Falls	52,786
Coeur d'Alene	41,328
Twin Falls	40,380
Caldwell	37,056
Lewiston	31,293
Rexburg	26,657
Post Falls	24,515
Moscow	22,352
Eagle	18,419
Hayden	12,349
Ammon	12,065
Mountain Home	11,656
Kuna	11,510
Garden City	11,353
Blackfoot	11,007
Chubbuck	10,861

Source: *Idaho Fiscal Facts 2007*

LAND AREA AND USE
(in square miles)

Total Area	83,557
Land Area	82,677
Water Area	880
Federal Land	52,724
Total Non-Federal Land	30,833
Total Rural Land	78,768
Agricultural Land	12,170
Range Land	34,353
Forest Land	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Sources: *Idaho Blue Book* , 2007-2008
Idaho Fiscal Facts 2007

HEALTH AND EDUCATION

Number of:	
Licensed Hospitals	48
Optometrists	238
Chiropractic Physicians	453
Physicians	2,536
Dentists	854
Public Schools	
Elementary	354
Secondary	295
Non-Public Schools	
Elementary	57
Secondary	29
Colleges and Universities	11
Public Libraries	143

Source: *Idaho Blue Book* , 2007-2008

Idaho International Dance Festival

Photo Source: Jennifer Beddard

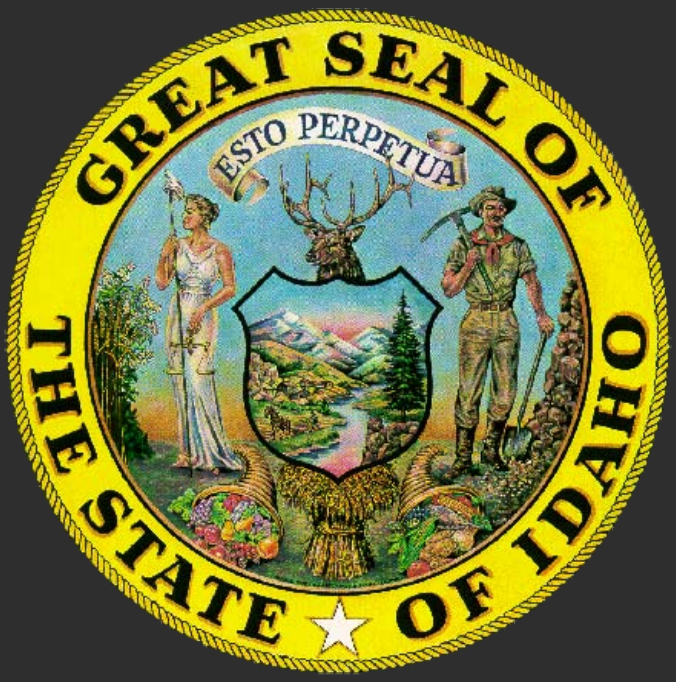
Idaho International Dance and Music Festival

In the summer of 1986, Rexburg hosted its first International Dance and Music Festival. The idea for this great event began in 1983 when leaders of a folk dance team from Rexburg's Brigham Young University-Idaho watched dance festivals while competing in Europe.

Throughout the week individual teams teach dance classes. Free youth culture activities provide young people the opportunity to mingle with the dancers and learn their dance steps, their music, and the meaning of their costumes and cultures. Other free events include opening and closing ceremonies, street dances, a parade, and fireworks. Dancing, singing, and laughter fill the streets during this wonderful event.

This Governor's award-winning festival promotes a cultural exchange between the community and countries around the world. Hundreds of dancers from ten countries share their culture and dancing style. Host families in the community share their homes with the visiting performers. This closeness has increased the strength of the Festival over the years.

Data Sources:
http://www.idahofolkdance.com
http://www.visitidaho.org/thingstodo/view-event.aspx?id=3771



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